

The great Indian liquidity loop: From IPO boom to real estate rush

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Synopsis

India's IPO boom isn't just lighting up Dalal Street — it's spilling into luxury real estate. As promoters cash out of frothy valuations, the money is circling back into high-end homes, fuelling a self-sustaining loop of optimism and rising prices. The music's still playing. But for how long?

Why not come dancing? It's only natural – The Kinks, 1982

India's initial public offering (**IPO**) frenzy isn't just minting stock market millionaires – it's reshaping real estate too. As promoters and investors cash out of richly valued IPOs, it's only reasonable to assume that some of that liquidity is finding its way into super-premium housing. The result: a feedback loop of optimism, rising prices, and two markets that are still dancing – for now.

The Economic Times reported on October 31, 2025, that India's "initial public offering market is gearing up for a blockbuster November". These IPOs are expected to mobilise INR76,000 crore during the course of the month.

This only accentuates the trend that we have been seeing since late last year. Data from **primedatabase.com** shows that from the start of October 2024 to the end of October 2025, a total of INR2.25 lakh crore has been raised through IPOs. Of this, INR44,831 crore was raised in October 2025. The expectation for November is 70% more than this amount.

In fact, offers for sale constitute a significant portion of these IPOs. Since October last year, INR1.47 lakh crore or more than 65% of the total amount raised through IPOs have been offers for sale, implying that promoters and other large investors are selling the shares they own in the firms being listed.

The zeitgeist

So, everyone – from promoters and investors to investment bankers, stock brokers, and fund managers – is cashing in on what Nobel laureate Robert Shiller calls the *zeitgeist*, or the spirit of the times.

As he writes in *Irrational Exuberance*: "If the millions of people who invest were all truly independent of each other, any faulty thinking would tend to average out, and such thinking would have no effect on prices." But that is clearly not the case. Which is why different cycles of the stock market have their own zeitgeist.

The current zeitgeist in India is that investing in IPOs can't go wrong and that they are the quickest way to make easy money. This has ensured that there is huge demand for IPOs, allowing many firms to come up with offers for sale driven IPOs at high valuations. This IPO supply is catering to the high demand.

Other than the zeitgeist, there are other reasons behind the huge demand for IPOs. In the last few years, we have seen a proliferation of low-cost stock broking apps that can be used on smartphones with access to cheap internet. This has allowed investors to buy and sell stocks and equity mutual funds (MFs), any time anywhere.

They are no longer dependent on being in front of a computer to invest or trade for that matter. This **explains** why the "number of individuals executing at least one trade annually has also increased significantly... – from 1.9 crore in the 12-month period ending July 31st, 2021 to 3.65 crore in the 12-month period ending July 31st, 2025".

It also explains, among other things, why the total amount of money being invested in equity MFs through systematic investment plans (SIPs) has grown at such an astonishing pace. In fact, in 2025, up until September, a total of INR2.45

lakh crore was invested in MFs through SIPs. A bulk of this money is invested in equity MFs, which invest largely in Indian stocks, including IPOs.

Further, the proportion of young investors in the stock market has gone up leaps and bounds. In March 2019, those under 30 years of age formed 22.6% of the registered individual investor base. By July 2025, this had jumped to 38.9%. The median age of the registered individual investors has fallen from 38 years to 33 years during the time period.

The young haven't seen a real downturn yet, and that lack of experience makes them bolder. Add today's zeitgeist to the mix, and you get the perfect fuel for the IPO mania – and the optimism that sustains it.

As Andrew Ross Sorkin writes in *1929 – The Inside Story of the Greatest Crash in Wall Street History*: “Optimism becomes a drug, or a religion, or some combination of both. Propelled along by a culture of hot tips, one-of-a-kind deals, killer sales pitches, and irresistible slogans, people lose their ability to calculate risk and distinguish between good ideas and bad ones.” Something similar seems to be playing out in India right now with IPOs becoming the new gold rush.

An entire ecosystem thrives on manufacturing – and then preserving – the zeitgeist.

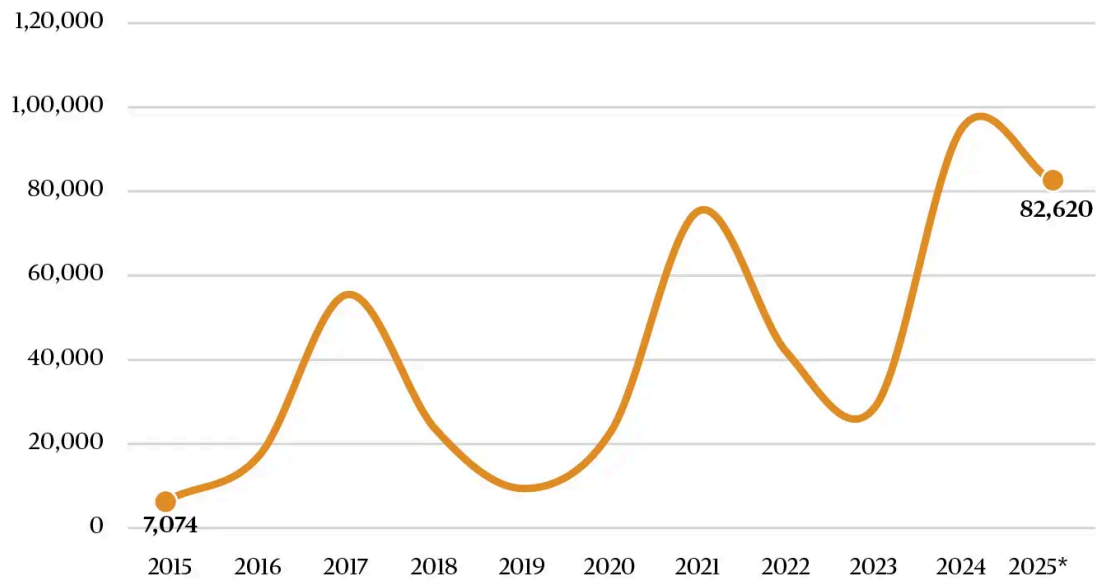
Cashout rush

The financial influencers keep the noise alive with a constant stream of content; analysts at brokerages add fuel with rosy forecasts built on fragile logic, often stretching years into a future they can't possibly know; fund managers deploy investors' SIP money to chase these freshly minted stocks, in the process doing or returning favours within the financial ecosystem they operate in; and investment bankers, of course, set the whole machine in motion by packaging and selling the IPOs – and earning a neat fee along the way.

Indeed, the zeitgeist manufacturing business isn't new, and it predates financial influencers, but the ubiquity of social media and smartphones has greatly magnified its effect, sustaining optimism despite the weak fundamentals and shaky finances of many firms wanting to list.

The promoters and their investors obviously understand this, and hence, the rush to sell their shares through IPOs. That's their incentive. Now, take a look at the chart below, which shows the total amount of money raised through offers for sale in IPOs over the years.

Offer for sale



Figures in INR crore

* until October 31, 2025

Source: Primedatabase.com

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As can be seen from the chart, firms have raised a total of INR82,620 crore through offers for sale in 2025. This is lower than INR95,285 crore raised during 2024, but we still have two months left in 2025. So, if the zeitgeist continues, the 2025 figure is more than likely to cross the 2024 figure by some distance. Given this, promoters and their investors are basically cashing in on their stakes. They are not raising new money to build and expand their businesses.

In fact, promoters of even listed firms are cashing in. The *India Ownership Report* of the National Stock Exchange (NSE) points out that as of June 2025, the promoter ownership in stocks that make up for the Nifty 500 Index fell to a 22-quarter low. In fact, in the companies that make up for the Nifty 50 Index, promoter ownership dropped to a near 23-year low.

What does this mean? Usually, no one understands a business as well as the people who run it. Hence, promoters, of both listed and unlisted firms, and their major investors, realise that the price that the stock market and the retail investors are ready to pay for the future earnings of their businesses – that is their business model – is currently on the higher side. Hence, the race to cash in and make a quick buck.

In this scenario, it's a *reasonable* to assume that some of the thousands of crores that promoters and their investors have been earning through exits, is finding its way into super-premium real estate in cities like Mumbai, Delhi NCR, and Bengaluru.

Liquidity loop

It makes sense from the point of view of diversification. Also, in a way, it's an old Indian habit: when financial markets look frothy, the gains are often parked in what we like to call 'property' – a tangible asset that feels safer and more private. Unlike stocks, real estate also offers the comfort of visibility to the owner – you can touch what you've earned, and *sometimes* you can *also* brag about it.

This new wave of wealth from stock market exits is feeding into record prices for super-premium projects. Indeed, it is these record premium real estate deals that tend to get reported in the media.

When super-premium apartments start changing hands at record prices, they do more than just make headlines – they quietly reset everyone's sense of what real estate should cost. Economists call it *anchoring*, but it's really just psychology at work.

Investors – even those who did not buy super-premium and premium real estate – begin to imagine they're sitting on gold. News reports and social media chatter from real estate brokers, reinforce the illusion, and soon, asking prices drift far from what real buyers can actually afford. In a way, the real estate sector like their stock market counterparts, ends up creating its own zeitgeist.

This is the unintended consequence of India's IPO boom. This, among other things, also explains the surge in redevelopment projects all across Mumbai, or the luxury launches in Gurgaon, or the rapid rise in rents in Bengaluru, over the last few years.

At the heart of it, what's playing out is not just an IPO boom or a real estate rally, but a liquidity loop. The money raised from one overheated market is being recycled into another, keeping the illusion of prosperity alive.

The promoters who sold shares at rich valuations are now buying penthouses and *perhaps* even land parcels – which is basically a transfer of optimism from one asset class to another. And like all stories built on easy money, this too carries the same underlying beat: it lasts only as long as the music does.

It all boils down to what Chuck Prince, the then CEO of Citigroup, said in a 2007 interview to the **Financial Times**: “When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing.”

This explains why investors continue to queue up for IPOs, even when the odds of making a profit are not very high. Sure, when demand for an IPO soars, the chances of a big listing-day pop increase – but with allotments harder to come by, the opportunity for real, take-home gains shrinks. It's that simple.

Data from **Chittorgarh**, a site tracking IPOs, shows that in 2025, out of 83 mainboard IPOs which have been listed, around 43% – or 36 issues – have listed at a loss. **Lenskart Solutions**, which debuted on the stock market on November 10, 2025, opened 3% below its issue price, fell as much as 11.5% during the day, but eventually recovered to close nearly flat – up about 0.3% on the BSE. This happened despite its IPO being oversubscribed more than 28 times.

Adding to this, a **recent study** by Bhagyashree Chattopadhyay and Shromona Ganguly of the Reserve Bank of India's Department of Economic and Policy Research, points out: "Over one week... mainboard IPOs show[ed] returns centred near zero... At the one-month horizon... many companies [saw] negative returns while a few achieve[d] very high positive returns." It's this hope – of finding that one winner – that keeps investors coming back for more.

The final cut

For now, the music is loud, the floor is crowded, and everyone looks confident in their moves. But markets have a way of turning down the volume when investors aren't paying attention, though no one really knows when that's going to happen. But when that happens, some of the best dancers usually end up tripping first.

Or as **Warren Buffett** famously said: "It's only when the tide goes out that you learn who's been swimming naked." Until then, everyone will keep swimming...or dancing. Dear reader, what about you? *Kya lagta hai?*

(Vivek Kaul is a writer and an economic commentator.)

(Graphic by Sadhana Saxena)