

02.04.2025

## 2024 Private Market Review

### Overview

2024 opened with several challenges for private markets, including elevated interest rates, a difficult fundraising environment, and a suppressed exit landscape. Although the macroeconomic backdrop improved over the course of the year, with deal activity showing encouraging signs of recovery, it remains well below the heights of the 2021 market peak. The exit environment in both private equity and venture capital continues to lag, with exit values showing little meaningful recovery post the zero-interest-rate-policy (ZIRP) era that was in place for more than a decade following the Great Financial Crisis that began in 2008. This tepid exit market has resulted in smaller distributions to investors, compounding fundraising challenges and adding pressure to the private market ecosystem.

Overall, 2024 was a year of measured recovery with several positive signs emerging toward the end of the year. As 2025 begins, the reopening of primary exit channels is critical for maintaining a healthier private market environment for unlocking value for investors and driving more activity. Investors remain cautiously optimistic for improving financial conditions and a more favorable deal environment.

### Private Equity

#### Buyout

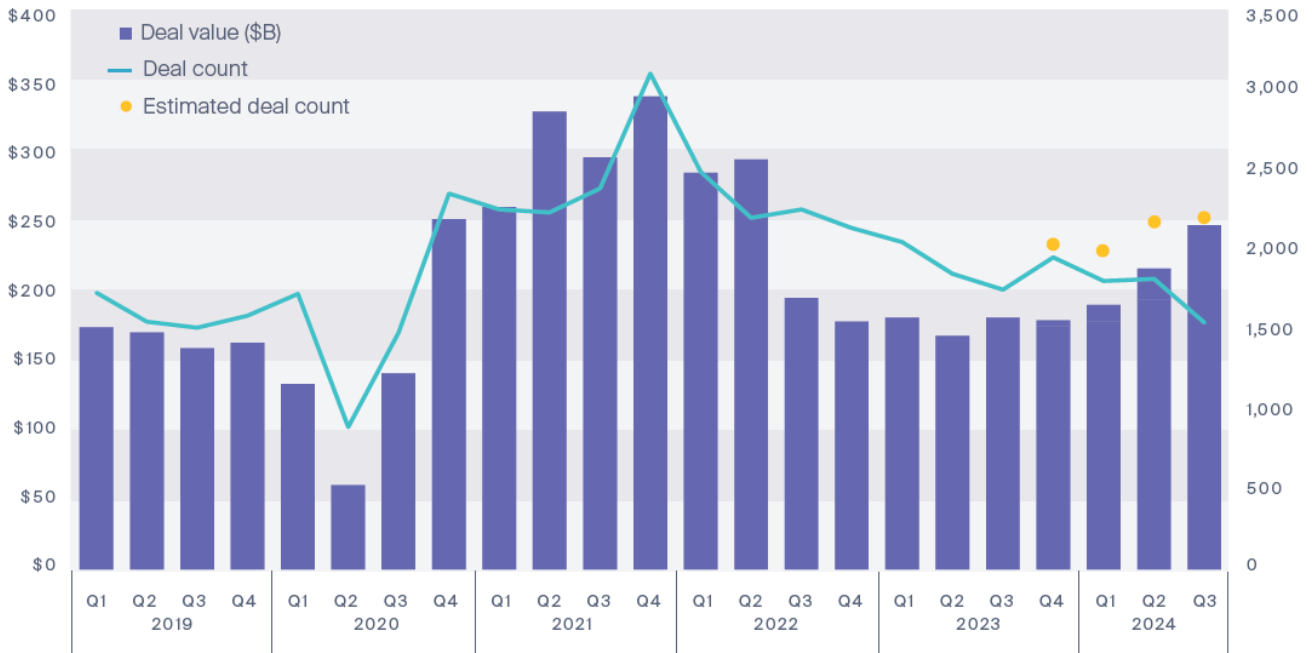
The private equity (PE) market experienced a notably quiet year in 2024, characterized by muted transaction volumes, reduced fundraising activity, and distribution yields hitting 10-year lows. Whether improved investor sentiment post election will translate into heightened deal activity in 2025 remains to be seen.

- **PE Deal & Fundraising Activity:** PE deal activity in the US remained subdued throughout 2024 as investors awaited potential rate cuts and greater macroeconomic stability. Elevated multiples paid by PE buyers in recent years have created a valuation disconnect between buyers and sellers who continue to anchor to these prices, further stalling deal flow. YTD 2024 through September 30<sup>th</sup> totaled \$650 billion of deal value, up 23% by value and 13% by deal count compared to first three quarters of 2023 (**Chart 1**). However, the activity level remains well below the

highs seen in 2021-2022.

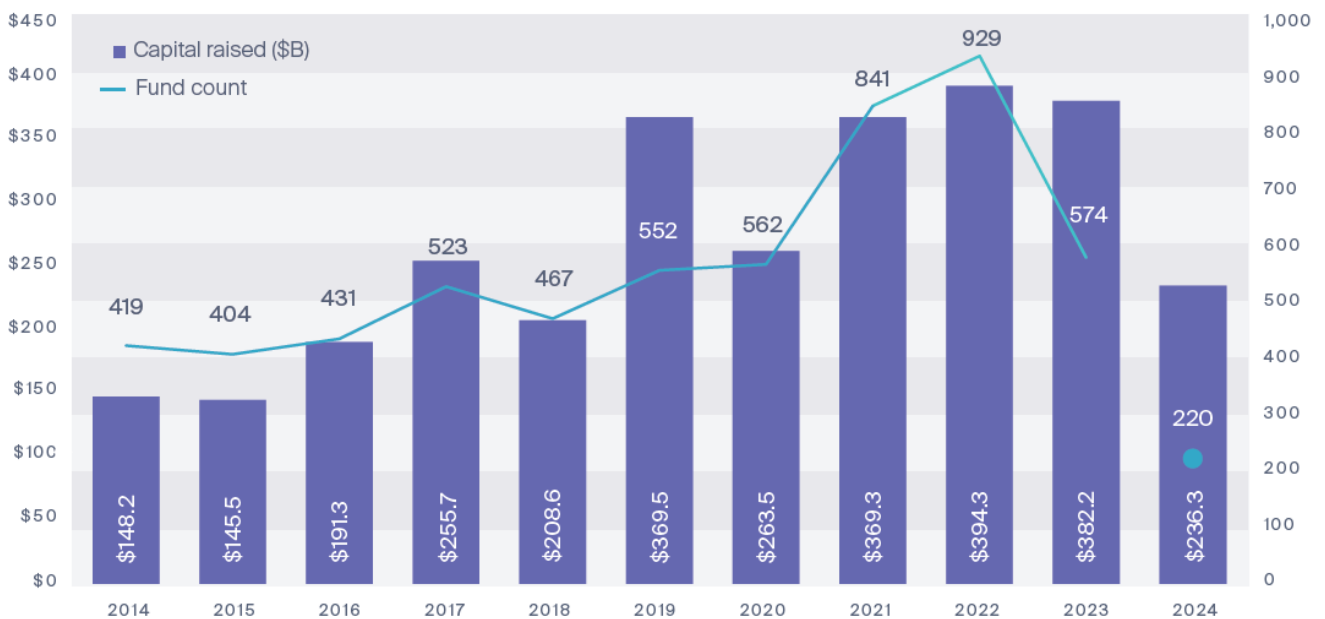
On the fundraising front, activity declined in both the number of funds raised and the total capital committed (**Chart 2**). However, the capital raised continues to concentrate among larger, well-established managers, reflecting investors' preference for perceived safety during uncertain times (**Chart 3**).

Chart 1. US PE Deal Activity by Quarter



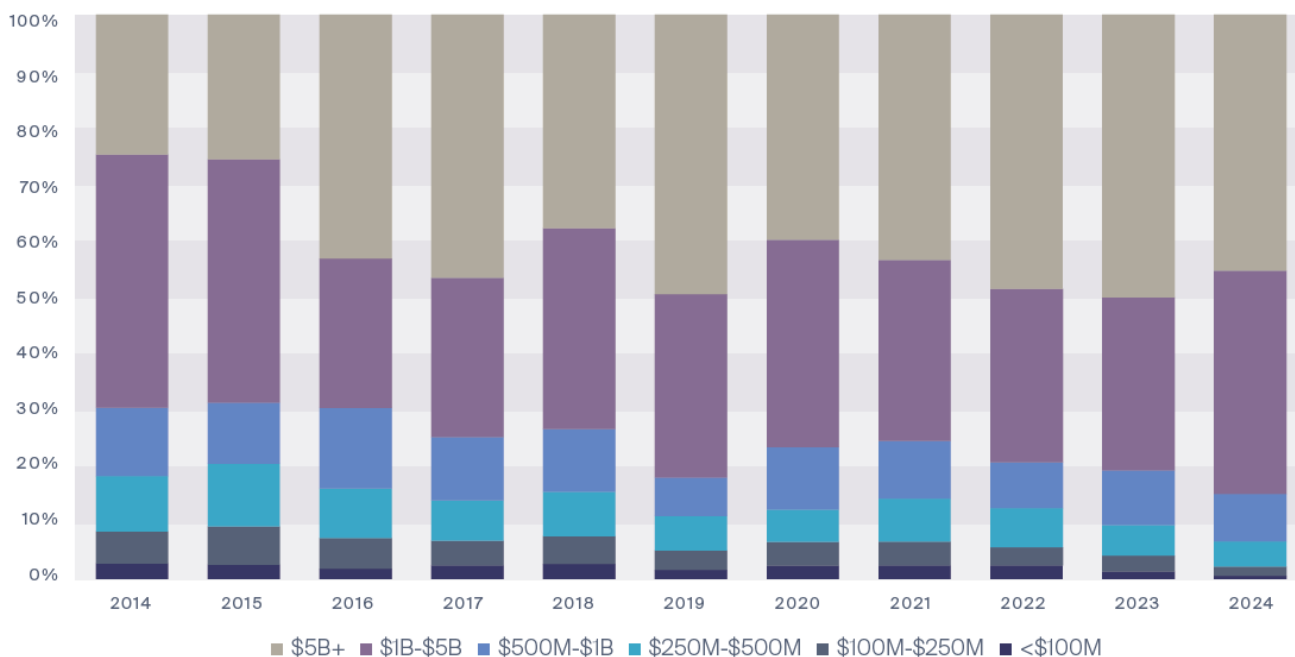
Source: Pitchbook US PE Breakdown Q3 2024

Chart 2. PE Fundraising Activity



Source: Pitchbook US PE Breakdown Q3 2024

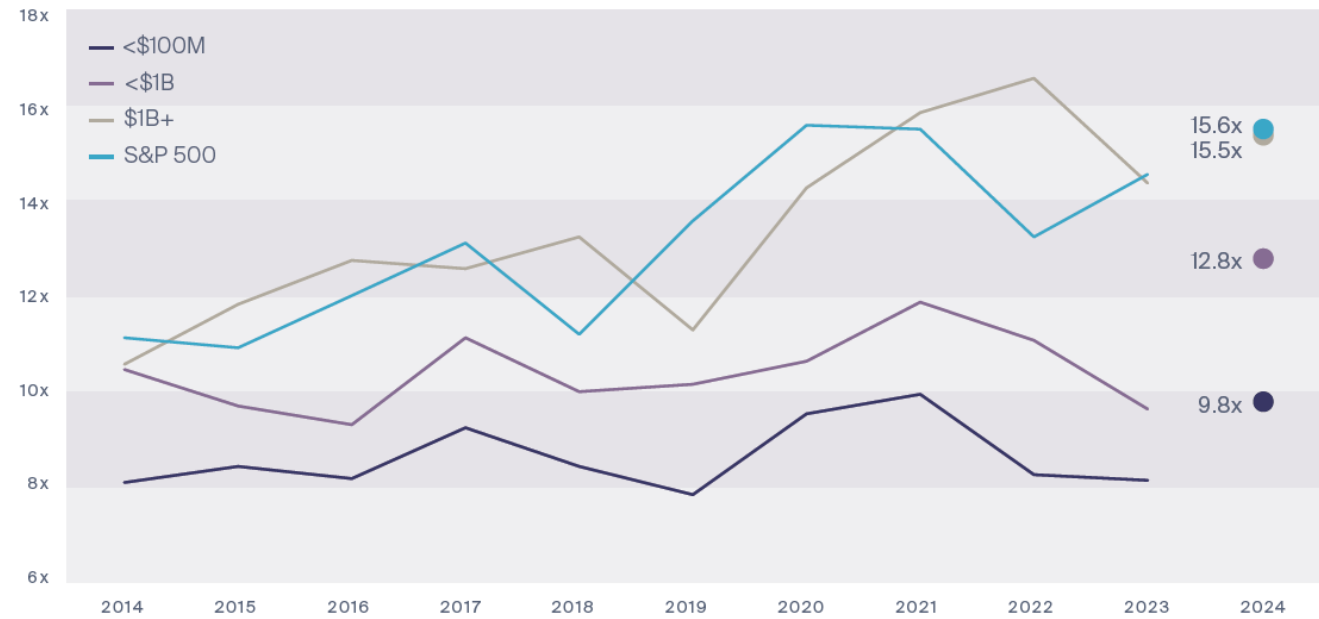
Chart 3. Share of PE Capital Raised by Size Bucket



Source: Pitchbook US PE Breakdown Q3 2024

- Valuation:** The recent higher interest rate environment has lowered private market valuations after reaching highs over the past few years. Rising interest rates drive up borrowing costs for acquisitions, directly influencing enterprise value (EV)/EBITDA multiples. The 2023 figure marked a low since the ZIRP era, reflecting a recalibration of valuations as rate hikes reshaped market dynamics. Interestingly, opportunities at the smaller end of the market are more pronounced given lower valuations. As shown in **Chart 4**, the median EV/EBITDA transaction multiple across North America and Europe has been 12.8x in 2024 for deals less than \$1 billion in size, growing about 22% from 2014’s median entry multiples. Larger deals, \$1 billion and up, have been done at a median of 15.5x in 2024, an expansion of more than 40% over the past 10 years, and a level that has kept pace with trading multiples for the median S&P 500 company. At the lowest end of buyout deals, under \$100 million in size, multiples have remained under 10x. Overall, entry pricing appears increasingly attractive for investors targeting smaller deals, where valuations remain less inflated.

**Chart 4. Median EV/EBITDA Multiples in North America & Europe Buyout Transactions vs S&P 500**



Source: Pitchbook 2025 Allocator Private Market Solution

- **Leverage:** As shown in **Chart 5**, in 2024, the average leverage ratio in buyout deals edged up slightly from 4.5x to 4.7x Debt/EBITDA, a surprising outcome given the higher cost of financing in the current environment. However, this metric remains below the 5.3x average multiple observed during 2022–2023.

**Chart 5. Debt / EBITDA Ratio Levels**

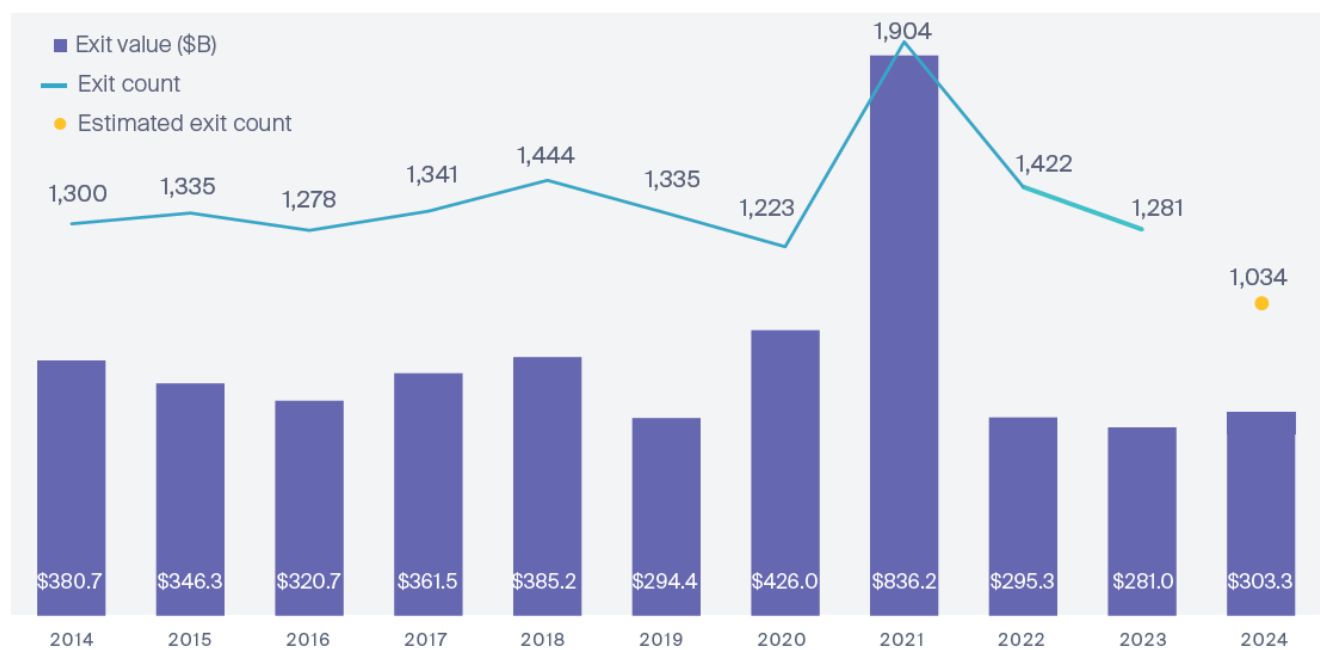


Source: <https://www.capstonepartners.com/insights/middle-market-leveraged-finance-report/>

- **Exit/Liquidity:** While already ahead of full-year 2023 values, US private equity exit activity in the first three quarters of 2024 remained insufficient to clear the sizeable backlog of portfolio companies that have yet to be realized (which stood at \$3.2 trillion globally in early 2024). By value, private equity exits totaled \$303 billion through September 30, 2024, versus \$281 billion for all of 2023 (**Chart 6**).

As exits and investor liquidity continues to lag, managers have increasingly turned to alternative avenues for liquidity, such as continuation vehicles and other secondary market strategies. The first half of 2024 achieved a record-breaking deal volume of these types of deals, reaching approximately \$70 billion. GCM Grosvenor estimated that secondary market transactions by the end of 2024 are on track to surpass \$140 billion—marking the highest level ever observed, representing a 20%+ increase over 2023<sup>1</sup>.

Chart 6. PE Exit Activity



- **Gresham Perspective:** We remain focused on the lower end of the US buyout market where valuations are less sensitive to interest rate movements and general partners (GPs) typically employ more conservative leverage ratios (below the market median of 5x) and pay lower entry prices (below 10x). We believe this segment also offers GPs greater exit potential, allowing portfolio companies to be sold to middle-market sponsors or strategic buyers at higher multiples in the larger segments of the market. Relatedly, we remain committed to partnering with GPs who demonstrate a proven ability to create value through operational improvements and strategic growth, rather than relying solely on multiple expansion.

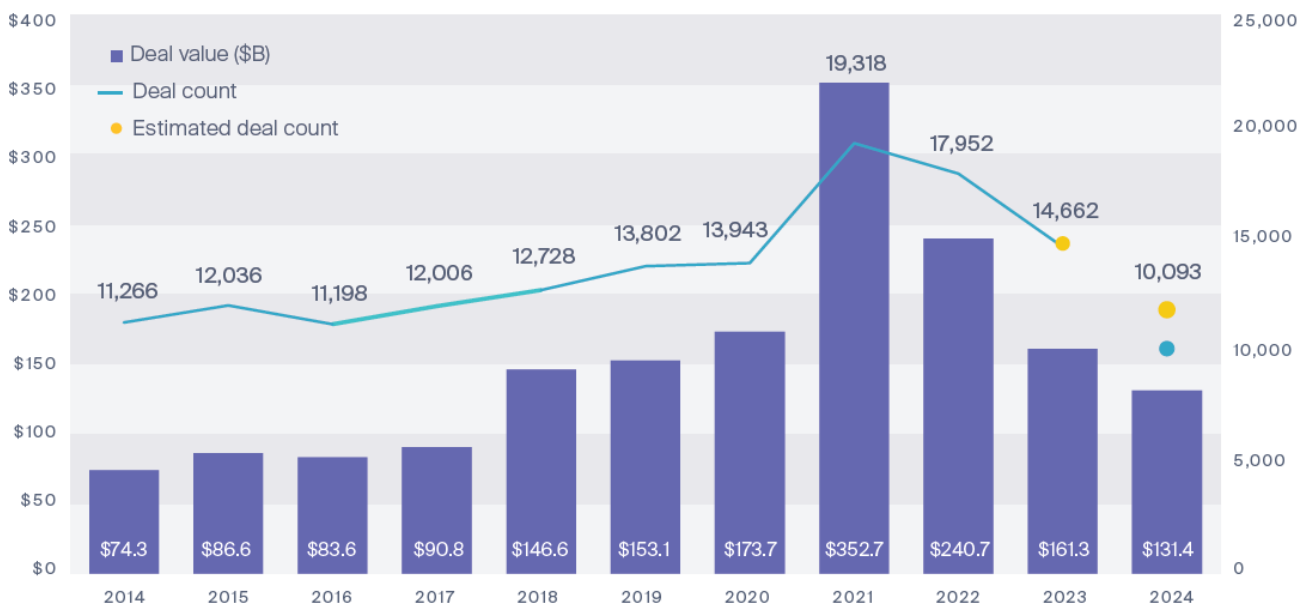
## Venture

2024 was a year of stagnation for venture capital. While fundraising and deal activity experienced a fourth consecutive year of decline, 2024 showed some signs of stabilization though meaningful improvement in the sector is unlikely until exit activity accelerates. ServiceTitan’s IPO at a nearly \$9 billion valuation in Q4 2024 was a significant and positive signal for venture markets, sparking hope for a broader recovery in exit conditions. However,

investor sentiment is likely to depend on more companies' signaling readiness to file IPOs in 2025.

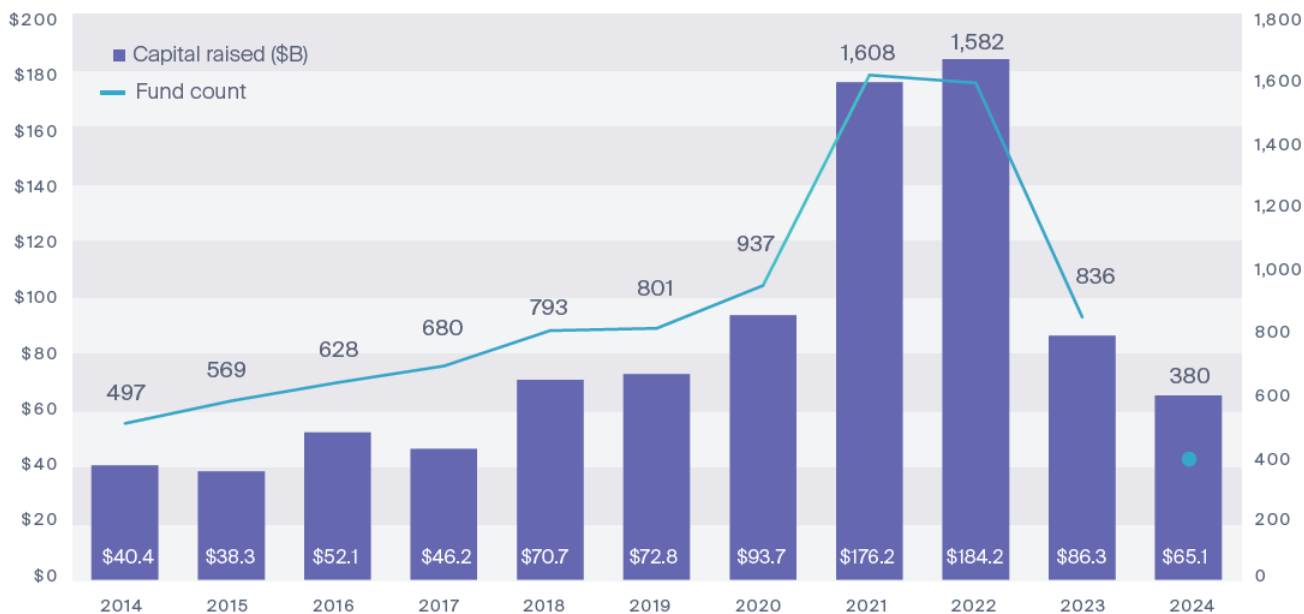
- **VC Deal and Fundraising Activity:** VC deal activity in 2024 remained flat compared to 2023 albeit with lower deal count, suggesting mega deals in the AI space are elevating the total deal value (**Chart 7**). On the fundraising side, VC firms raised \$65.1 billion through Q3 2024 (**Chart 8**), putting the year on track to roughly match 2023's total. But the annualized fund count of 506 is the lowest since 2014's total of 497. More than 80% of the capital raised in 2024 was by established managers. For example, Andreessen Horowitz alone accounted for over 10% of the total market, closing \$7.2 billion across new funds during the. First-time and emerging managers—most of which tend to have smaller fund sizes—are bearing the brunt of the fundraising slowdown. The bifurcation underscores a flight to “perceived safety” among limited partners (LPs) who are prioritizing investments with established managers in the more uncertain current environment.

Chart 7. VC Deal Activity



Source: <https://nvca.org/wp-content/uploads/2024/10/Q3-2024-PitchBook-NVCA-Venture-Monitor.pdf>

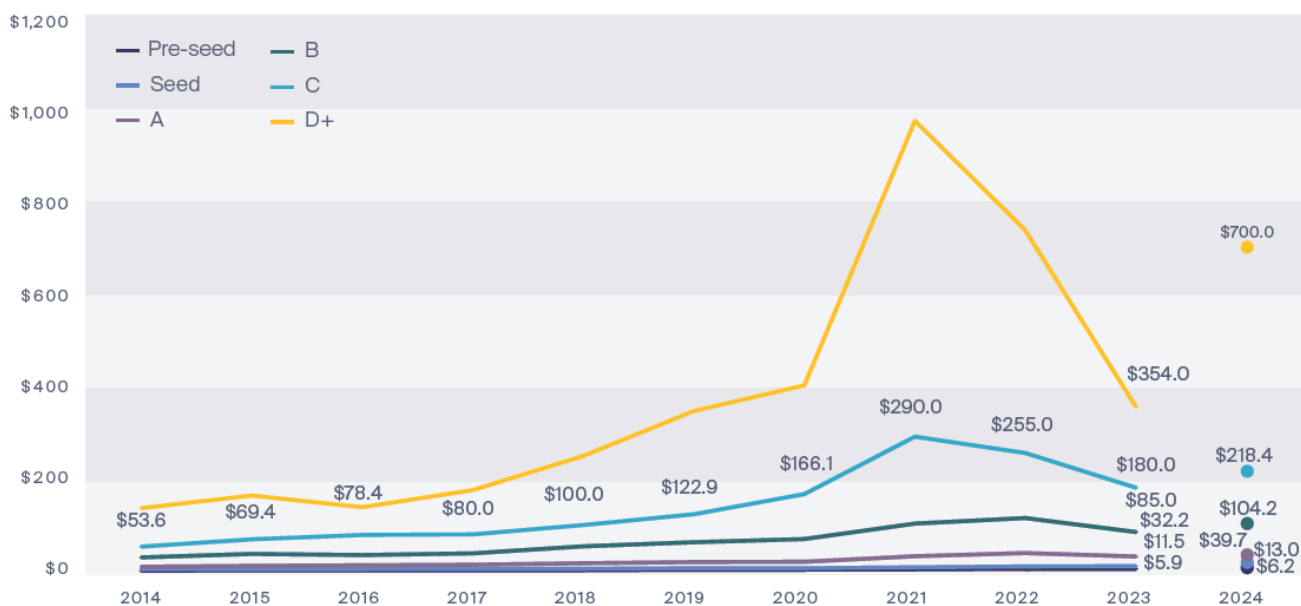
Chart 8. VC Fundraising Activity



Source: <https://nvca.org/wp-content/uploads/2024/10/Q3-2024-PitchBook-NVCA-Venture-Monitor.pdf>

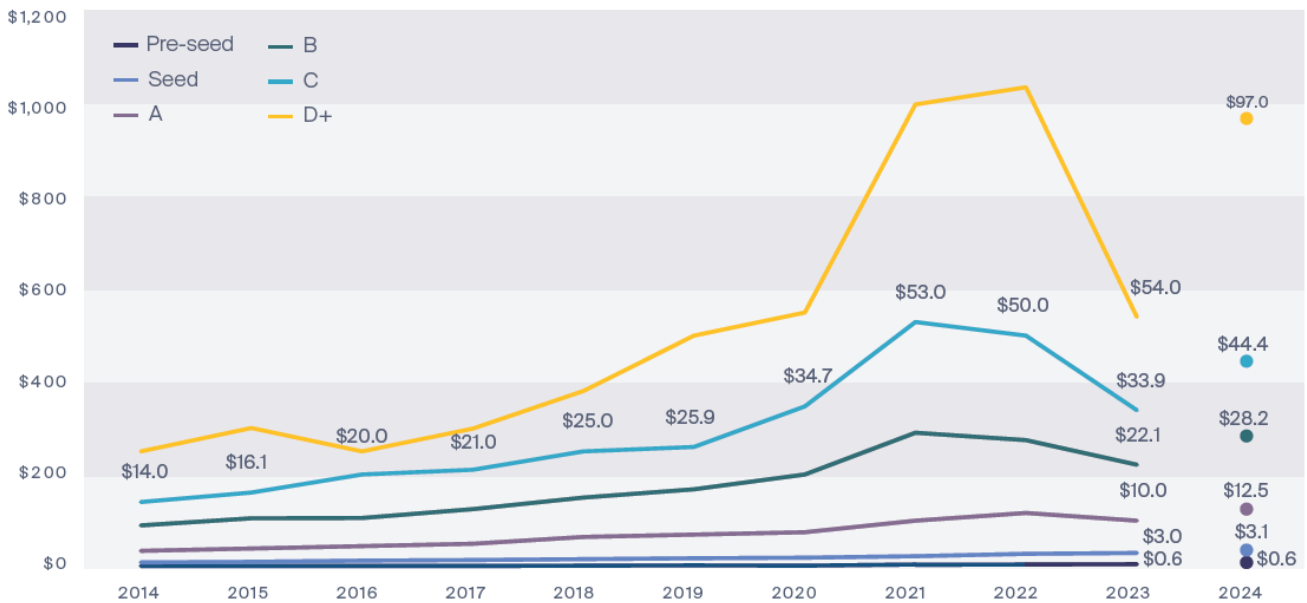
- Valuation:** While early-stage valuations have remained relatively consistent, later-stage valuations are still below the highs seen in 2021–2022. In 2024, overall median deal sizes and pre-money valuations trended higher compared to 2023. However, this growth has been significantly influenced by outsized deals in the AI sector. Investor enthusiasm for AI-related deals remains robust, with many deals closing at eye-popping valuations, a trend that historically correlated with weaker future returns.

Chart 9. Median VC Pre-Money Valuation by Series



Source: <https://nvca.org/wp-content/uploads/2024/10/Q3-2024-PitchBook-NVCA-Venture-Monitor.pdf>

Chart 10. Median VC Deal Value by Series

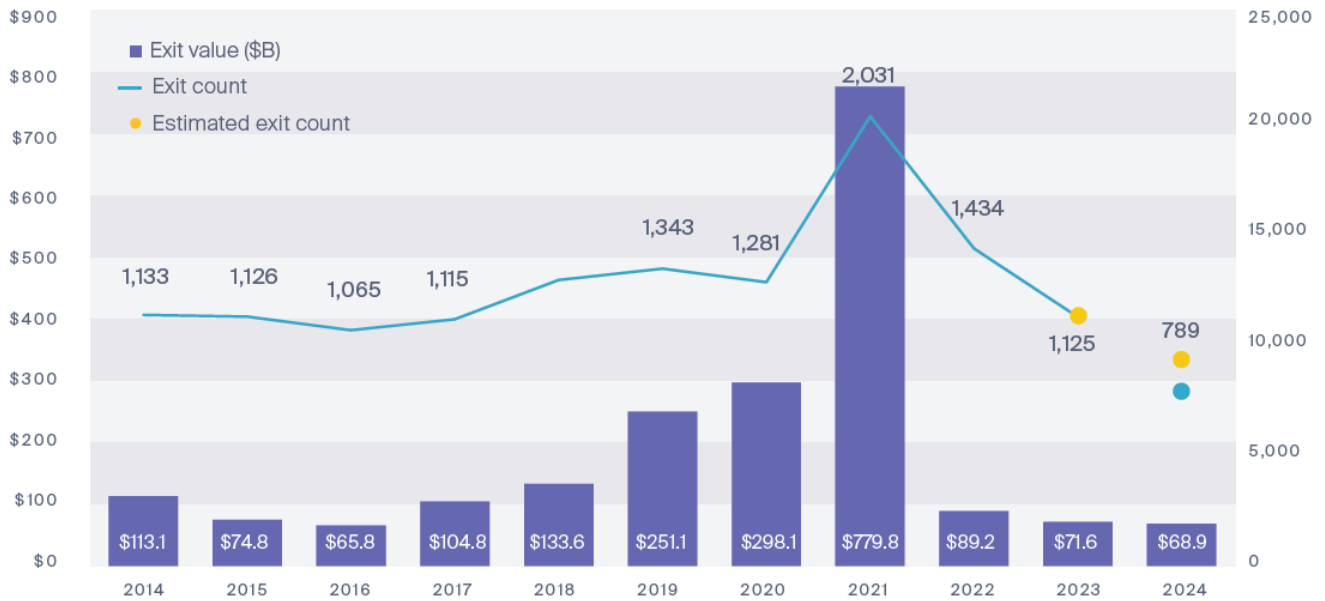


Source: <https://nvca.org/wp-content/uploads/2024/10/Q3-2024-PitchBook-NVCA-Venture-Monitor.pdf>

- **M&A Activity:** Corporate strategic acquisitions, which historically created a strong exit path and generated prolific returns for investors, remain suppressed by two forces. The first is heightened regulatory scrutiny. In recent years, the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice (DOJ) have taken a more aggressive approach to antitrust enforcement. In 2023, the antitrust agencies filed complaints against a record 13 transactions compared to an average of six per year over the previous five years<sup>2</sup>. While their success in merger challenges to date has been limited, the message to the market is clear: regulatory scrutiny has intensified. The resulting uncertainty has added significant complexity to mergers and acquisitions (M&A). In addition, in late 2024 the FTC overhauled the Hart-Scott-Rodino Act filing process by introducing stricter rules that impose significant new disclosure requirements. These changes have delayed M&A activity considerably, creating a more challenging environment for corporate buyers. The second factor is the high valuations stemming from the frothy market in the early 2020s. Many corporations remain cautious and have been unwilling to engage in acquisitions at premium valuations. As valuations normalize, optimism exists for increased activity. Together, these forces have suppressed activity in the corporate M&A space, leaving a notable gap in a historically vibrant liquidity pathway for investors.
- **Exit/Liquidity:** Exit activity for venture-backed companies remained subdued in 2024 (**Chart 11**), weighed down by a lack of large IPOs, unfavorable valuation multiples, and persistent market volatility. In particular, SaaS (“Software as a Service”) companies have experienced significant valuation declines, with public market multiples declining to 6.1x revenue—well below the pre-ZIRP average of 8.2x (**Chart 12**). As a result, many venture-backed companies are choosing to remain private longer, waiting for a more favorable dealmaking environment to emerge. In the absence of large IPOs, GPs have become more creative around liquidity via continuation vehicles and secondaries. Additionally, PE firms have become more active buyers of VC-backed startups, offering an alternative path to liquidity for VC

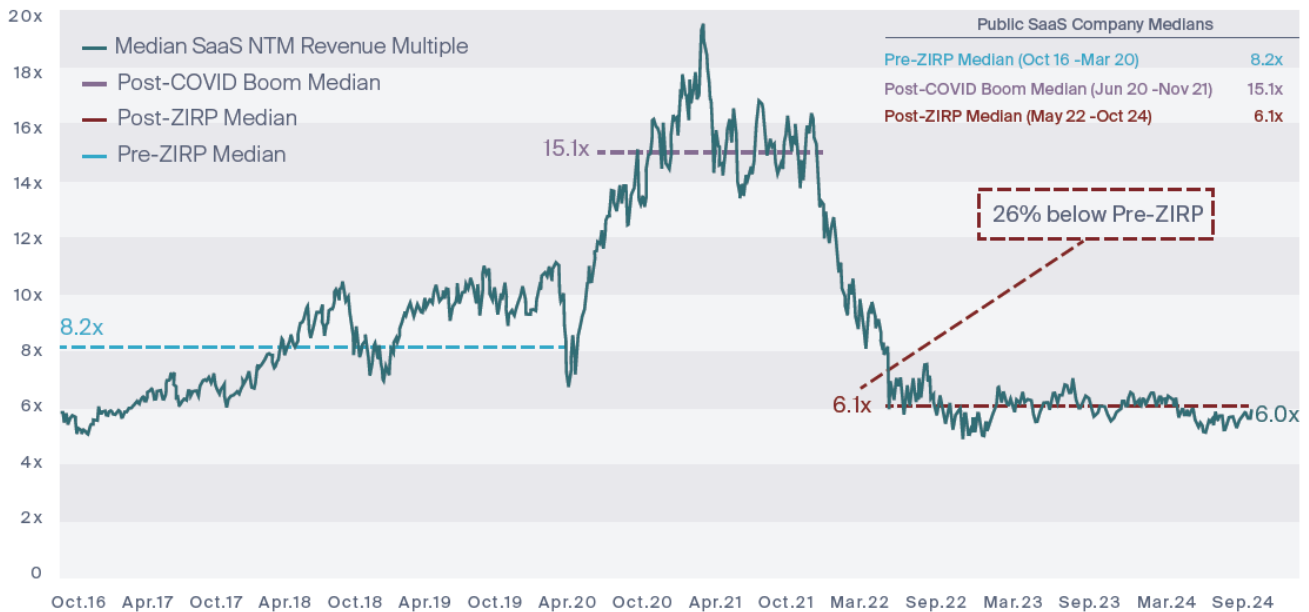
## LPs.

Chart 11. VC Exit Activity



Source: <https://nvca.org/wp-content/uploads/2024/10/Q3-2024-PitchBook-NVCA-Venture-Monitor.pdf>

Chart 12. Median SaaS NTM Revenue Multiples



Source: Meritech 2024 Market Update

- **Gresham Perspective:** Venture capital has delivered significant returns to investors over the past few decades, but the substantial influx of LP capital has increasingly institutionalized the asset class while increasing competition. To sustain the potential for top-quartile returns, we prioritize early-stage investments, which are less vulnerable to valuation inflation and broader market pressures.

We also recognize a shift in the venture market’s emphasis—from firm brands to the individuals making investment decisions. As such, our approach focuses on partnering with these standout individuals who demonstrate unique access to

opportunities, manage smaller-sized funds, and possess the potential to deliver outsized returns. With the venture market currently facing headwinds such as constrained exit conditions, we take a long-term view of this highly productive investment area and recognize our approach, while accretive to our clients' portfolios, may create longer paths to liquidity.

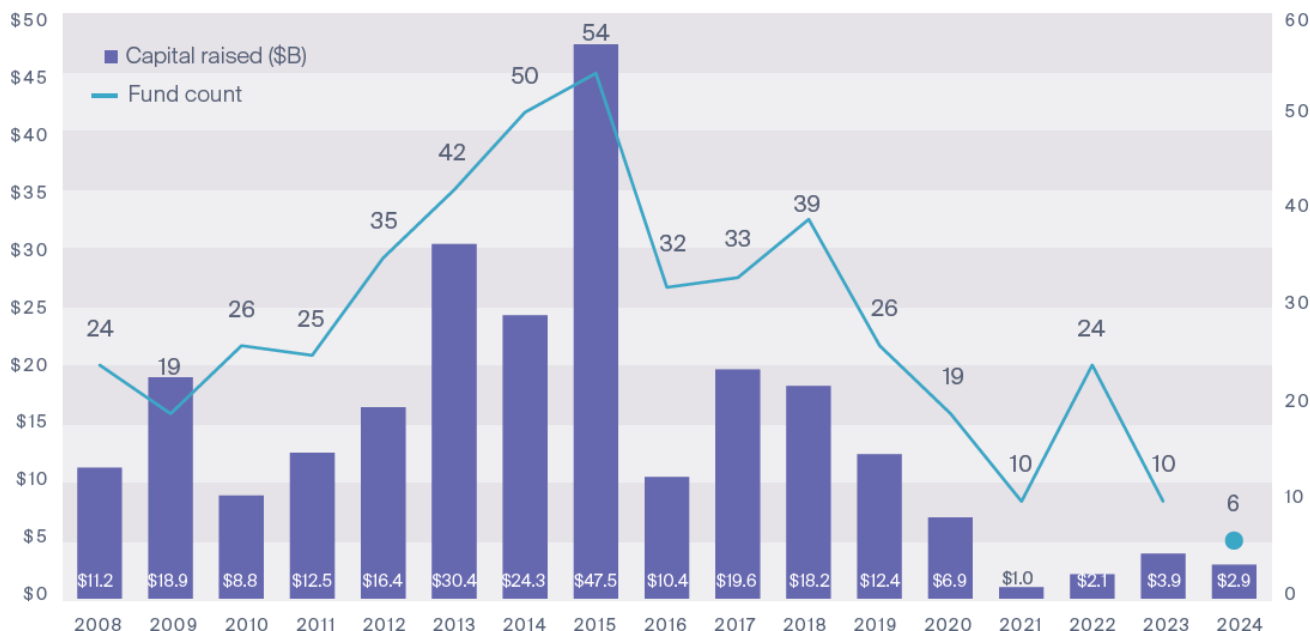
## Real Assets

### Natural Resources (oil and gas)

In 2024, the oil and gas sector operated within a challenging landscape shaped by heightened geopolitical tensions and continued global transition towards renewable energy. Despite these headwinds, oil prices showed resiliency and exhibited far less volatility compared to previous years.

- **Fundraising** for natural resources investments has steadily declined over the past decade. Consistent with the global transition towards renewable energy, institutional LPs have increasingly shifted their focus away from the oil and gas sector. YTD 2024 through September 30th, oil and gas managers raised \$2.9 billion from investors, remaining consistent with the subdued levels seen in recent years.

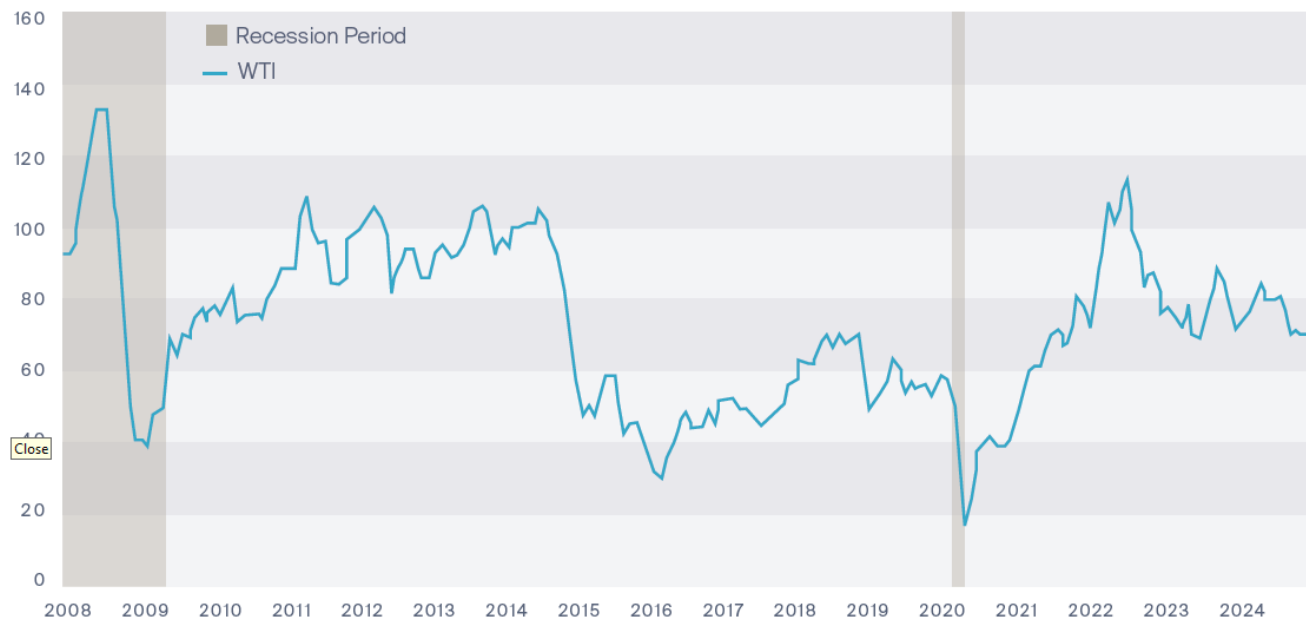
Chart 13. Oil & Gas Fundraising Activity



Source: Pitchbook Global Real Assets Report

- **Oil Prices** in 2024 have remained relatively range-bound between \$65 and \$90 per barrel, a stark contrast to the heightened volatility observed from 2020 to 2022, as seen in **Chart 14**.

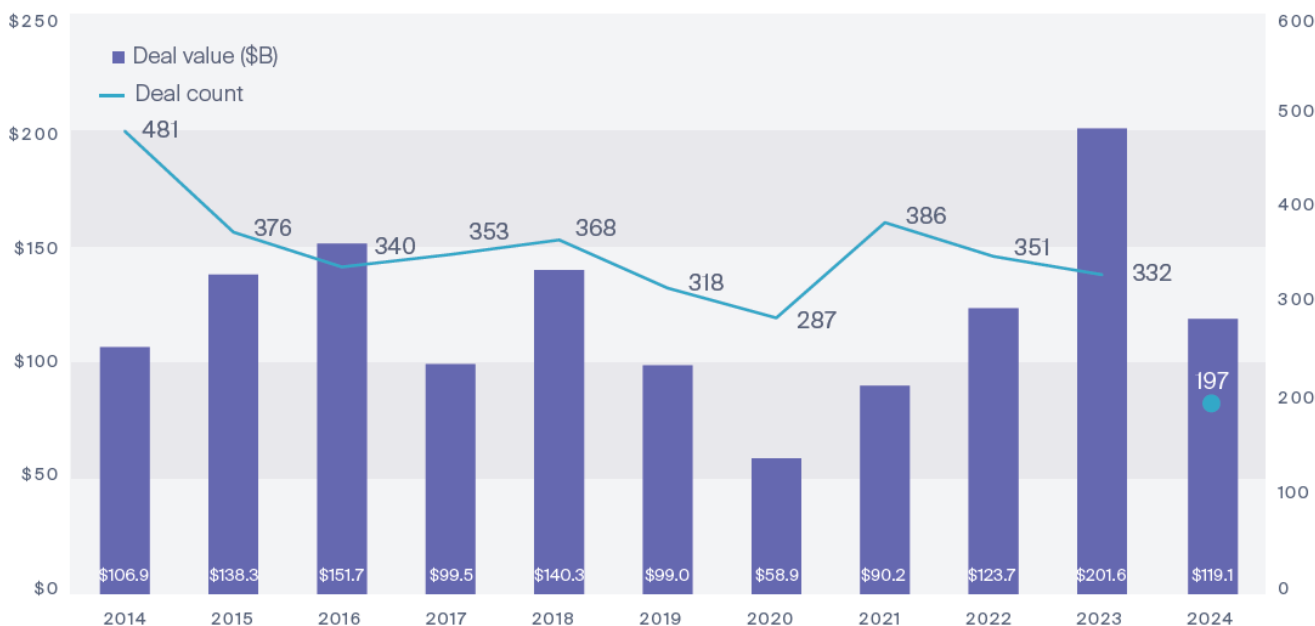
Chart 14. Price of Crude Oil (WTI)



Source: <https://fred.stlouisfed.org/series/MCOILWTICO#> (Monthly data)

- M&A Activity:** Over the past few years, the oil and gas sector has undergone significant consolidation. The heightened M&A activity was driven by public majors spending excess cash generated from the elevated oil prices in 2022 to acquire assets. These acquisitions have been aimed at enhancing scale and expanding inventory. This trend created a favorable exit environment for smaller operators. Notable deals during the year included Diamondback Energy’s \$26 billion merger with Endeavor Energy Resources and ConocoPhillips’ \$22.5 billion acquisition of Marathon Oil.

Chart 15. Oil & Gas M&A Activity



Source: Pitchbook Q3 2024 Global Real Assets

- **Gresham Perspective:** Gresham aims to assemble a private real asset portfolio of inflation-sensitive assets designed to protect clients' portfolios during periods of rising inflation when many other traditional asset classes tend to perform poorly. We believe oil and gas continue to play a strategic role in private real asset portfolios as the "exodus" of LP capital from the sector presents a contrarian opportunity for us to exploit. Our strategy focuses on partnering with GPs with proven track records, an ability to exploit inefficiencies, are cautious with their use of leverage given the inherent volatility in this area and who demonstrate disciplined capital efficiency.

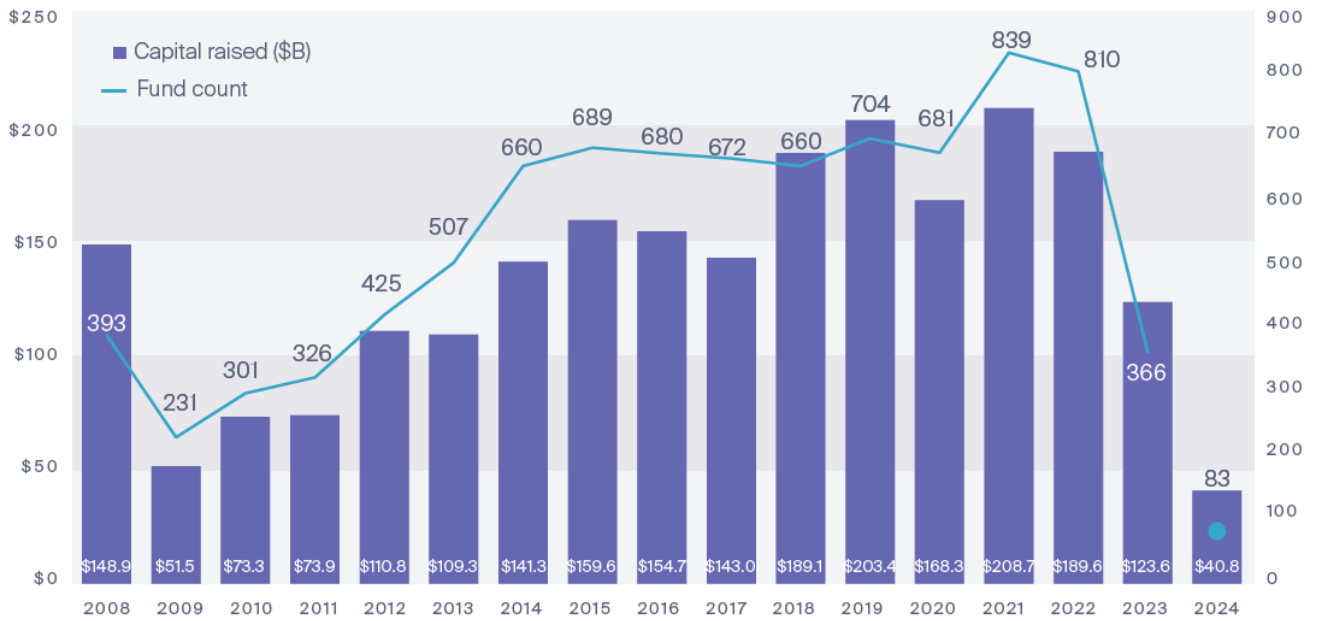
## Real Estate

Elevated financing costs, expanding cap rates (the ratio of a property's net operating income (NOI) to its purchase price) and valuation uncertainty continue to weigh on broader commercial real estate deal volumes, fundraising and investment performance. Even with interest rates starting to decline, investors remain cautious as they await improving market conditions and a more favorable lending environment. However, certain segments of real estate such as retail, hospitality, and industrial have shown signs of rebounding.

- **Deal & Fundraising Activity:** US real estate deal activity remains significantly below its COVID-era highs across most property types. Through the first three quarters of 2024, transaction volume by dollar value hit its lowest level since 2013, totaling ~\$40 billion while deal count hit its lowest point since 2011, totaling ~29,000<sup>3</sup>.

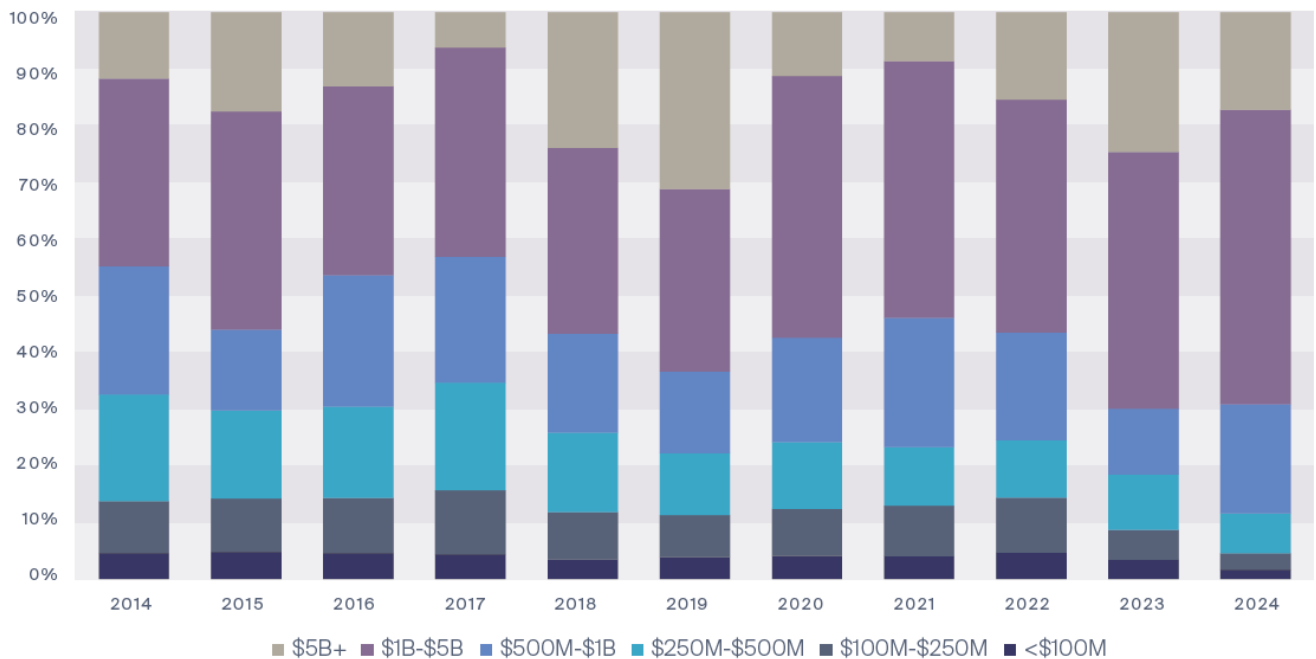
The fundraising landscape has been equally challenging, with managers navigating one of the toughest environments in recent memory. Total capital raised hit one of its lowest points since the Great Financial Crisis, totaling \$40.8 billion (**Chart 16**). Similar to other private market asset classes, fundraising is increasingly concentrated as LPs gravitate toward established managers and larger funds. YTD 2024, funds exceeding \$1 billion in size accounted for more than 60% of total fundraising activity (**Chart 17**).

**Chart 16. Real Estate Fundraising Activity**



Source: Pitchbook H1 2024 Global Real Estate Report

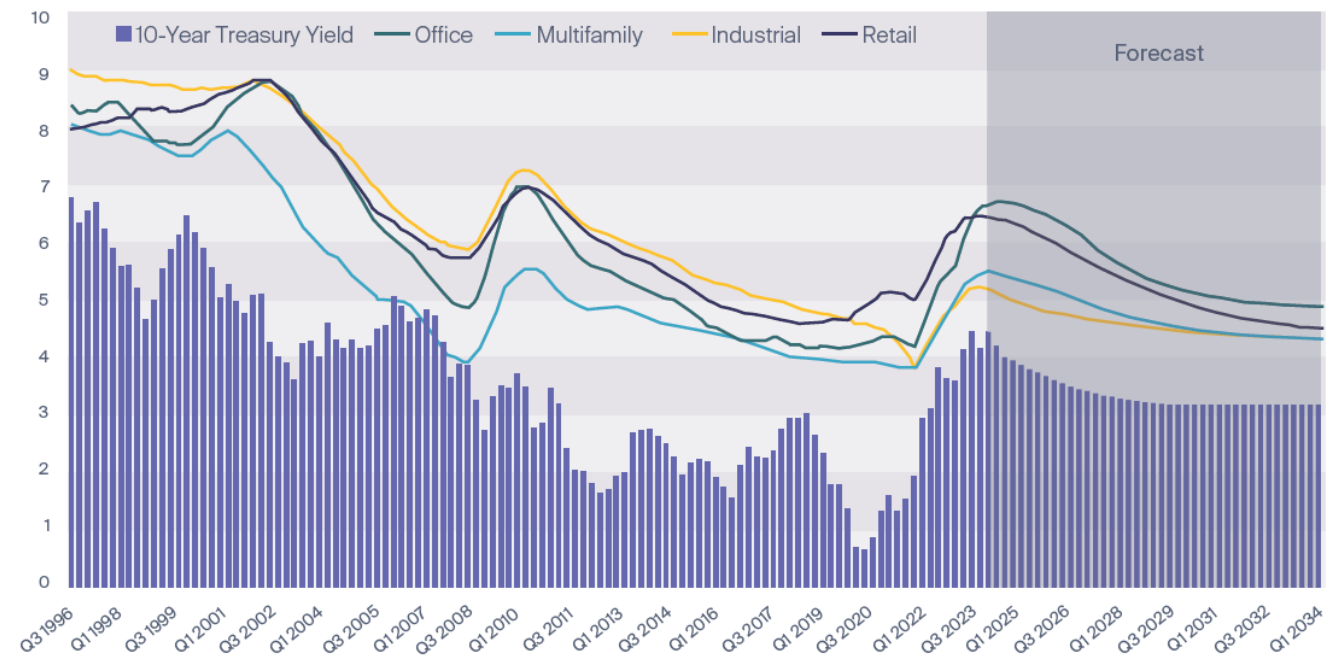
**Chart 17. Share of Real Estate Capital Raised by Size Bucket**



Source: <https://www.altusgroup.com/featured-insights/cre-transactions/>

- **Cap Rates:** Despite recent interest rate cuts, cap rates remain elevated compared to the pre-pandemic level. CBRE projects a gradual compression in cap rates throughout 2025. According to CBRE, peak-to-trough cap rates by the end of 2025 are expected to decline by 40 bps for industrial, 35 bps for retail, 25 bps for multifamily and 20 bps for office (**Chart 18**), but investor appetite will need to improve or Treasury yields will need to fall to see these predictions come true.

Chart 18. Cap Rates & 10-Year Treasury Yields



Source: <https://www.cbre.com/insights/briefs/Impact-of-Interest-rate-cuts-on-real-estate-cap-rates>

## Subsector

- **Multifamily<sup>4</sup>** – Vacancy rates fell for the first time since the end of 2021 as demand outpaced new supply, but still remain above the long-run average of 5.0%.
- **Industrial<sup>5</sup>** – Industrial remains a favored subsector among investors given its lower sensitivity to long-term interest rates and continued strong demand for logistic assets. Improvements in NOI prevented industrial cap rates from climbing as much as those of other subsectors.
- **Retail<sup>6</sup>** – Retail market fundamentals have strengthened, with record-high occupancy and strong rent growth. CoStar reported their lowest national vacancy rate of 4.1% in 2024, with just over 0.4% of inventory currently being developed<sup>7</sup>.
- **Office<sup>8</sup>** – This subsector remains the weakest of the major ones in real estate. Office transaction volume has improved YoY but remains ~50% lower than 2021 volume.
- **Gresham Perspective:** Despite numerous headwinds the real estate sector has faced in recent years, we see attractive opportunities in select niches. It is important to note that real estate investments are highly dependent on local markets and individual asset selection. We continue to explore investments in specialized real estate sectors such as manufactured housing, senior housing, and marinas, specific areas where value-add and opportunistic returns remain compelling.

## Conclusion

Despite the challenges private market investors face, we continue to believe private market investments can deliver significant long-term returns for investors and that these remain a strategic cornerstone of portfolio allocation. The asset class has inherent cycles, and thus we adopt a long-term investment approach, avoiding the pitfalls of market timing. By maintaining a disciplined and consistent pace of commitments, we strive to capture opportunities across cycles and position our clients' portfolios to benefit from the enduring value creation potential of private markets.

1. <https://www.gcmgrosvenor.com/2024/12/18/the-secondaries-surge-reflections-on-2024-and-the-road-aheadfor-2025/>
2. <https://www.weil.com/-/media/mailings/2023/q4/heightened-antitrust-scrutiny-and-its-impact.pdf>
3. <https://www.altusgroup.com/featured-insights/cre-transactions/>
4. CBRE Q3 2024 U.S. Multifamily Figures
5. CBRE Q3 2024 US Industrial Figures
6. CBRE Q3 2024 US Retail Figures
7. <https://www.costar.com/article/824163170/more-retailers-forced-to-act-fast-with-store-space-in-short-supply-jll-executive-says>
8. JLL U.S. Office Market Dynamics Q3 2024

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Gresham Partners LLC

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