Gresham

01.28.2026

2025 Private Market Review

Overview

As 2025 unfolded, private markets showed both resilience and ongoing adjustment against a backdrop of shifting trade policy and geopolitical uncertainty. On the positive side, deal activity regained momentum, with overall private equity transaction volumes rising and surpassing 2024 levels. A similar dynamic developed in venture markets where capital deployment and exit activity were bolstered by insatiable demand for artificial intelligence. At the same time, fundraising dynamics remained uneven, with capital continuing to concentrate among established managers and to select strategies. Together, these trends reflect a market still working through several years of macro and liquidity pressures. Looking ahead, the gradual reopening of the IPO and M&A markets, coupled with lower interest rates, support cautious optimism as investors await broader normalization in liquidity and market stability.

Private Equity

Buyout

Following a quiet 2024 with low deal activity, constrained fundraising, and weak distributions, the buyout market showed encouraging signs in 2025.

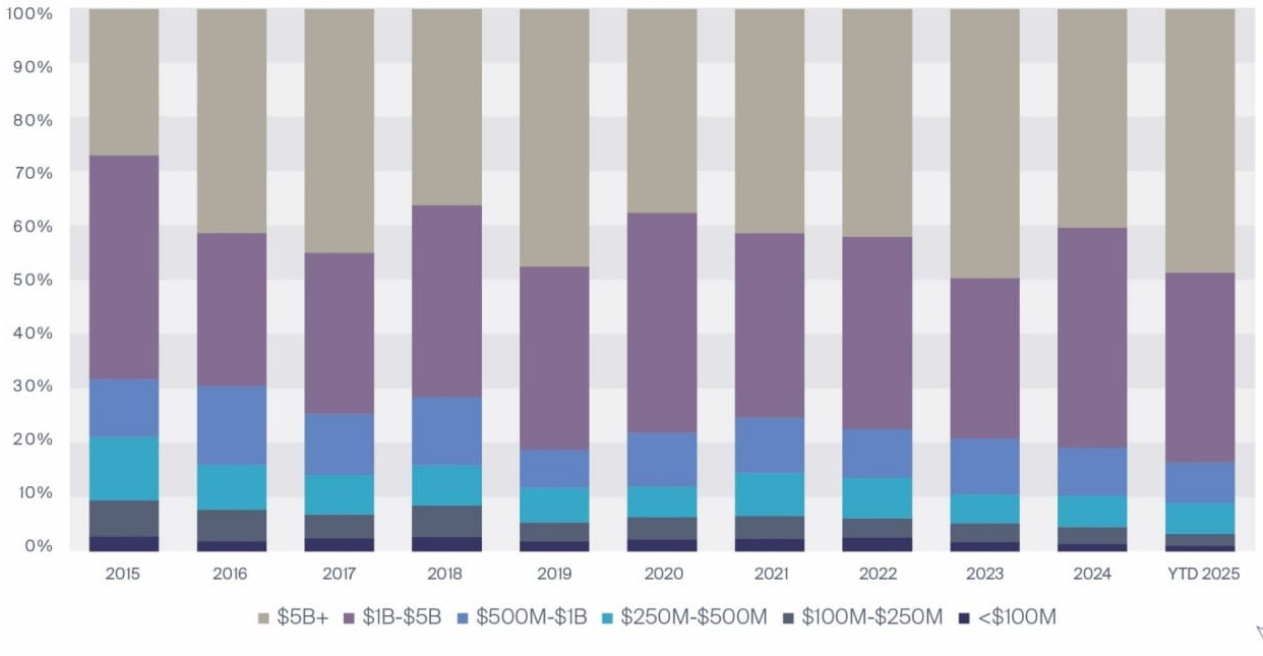
- **PE Deal & Fundraising Activity:** U.S. PE deal activity improved meaningfully in 2025. Year-to-date through September 30, 2025, U.S. PE deal value totaled approximately $870 billion, up 37% from the same period in 2024 (**Chart 1**). If exit activity continues its recovery, this could help support deal momentum in 2026.
  On the fundraising front, activity remained under pressure this year (**Chart 2**) with 2025 representing the second consecutive year of declines in both fund count and capital raised on a full-year basis. The upside of this dynamic is that reduced capital supply may help create a more disciplined, valuation-friendly environment, which could support healthier market conditions in 2026 and beyond. Compared with 2024 when 220 funds raised $236.3 billion, 2025 (through September 30th) fundraising presents a mixed picture: the number of fund closes has modestly improved, yet aggregate capital raised remains lower. As was the case in 2024,

fundraising remains highly concentrated among larger, more established managers, reflecting LPs' continued preference for perceived stability associated with proven platforms (**Chart 3**).

Chart 1. US PE Deal Activity by Quarter[1]

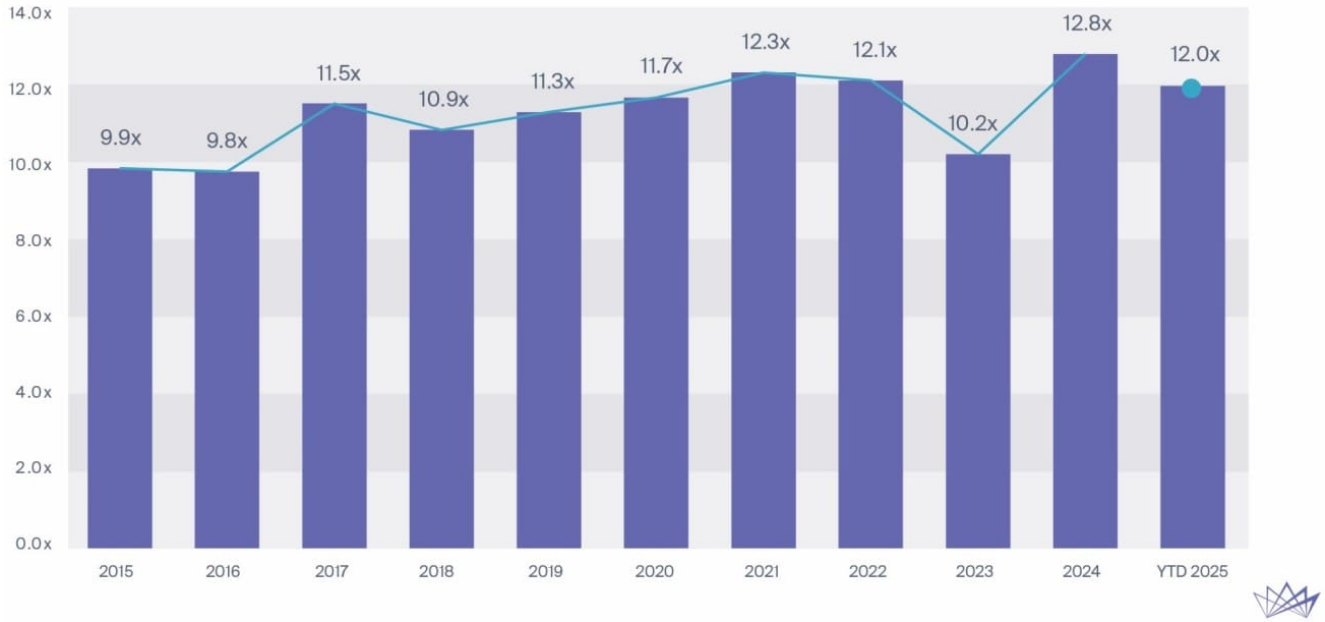
Chart 2. PE Fundraising Activity[1]

Chart 3. Share of PE Capital Raised by Size Bucket[1]



- **Valuation:** The trailing twelve month Enterprise Value (EV)/EBITDA multiple declined from its 2024 high of 12.8x to 12.0x (**Chart 4**), consistent with the continued slowdown in capital raised. Despite the pullback, multiples remain at the higher end of historical norms and remain above the 2017 to 2019 range of 10.9x to 11.5x.

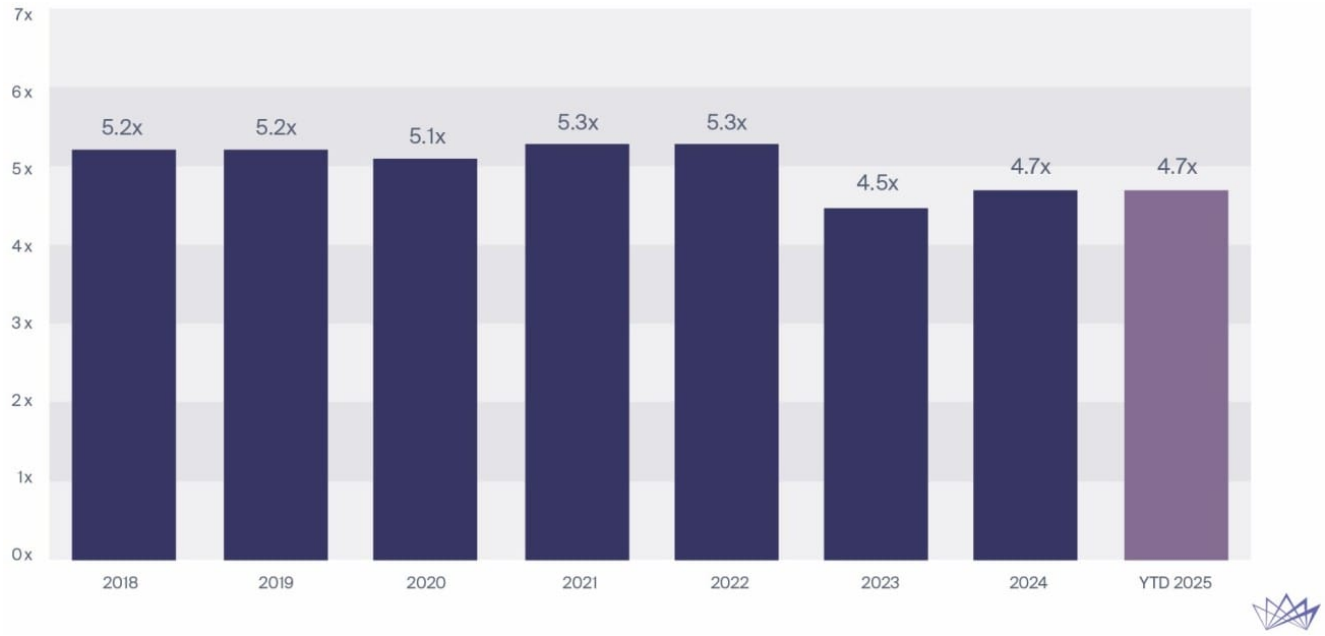
Chart 4. Median Global Buyout EV/EBITDA Multiples[1]



- **Leverage:** As shown in **Chart 5**, the average leverage ratio in buyout deals in 2025 through Q3 remained broadly stable at 4.7x Debt/EBITDA, still below the 5.2x

average observed during 2018-2022. This difference is consistent with the higher interest rate environment, as the average 10-year Treasury yield increased from 2.1% during 2018-2022 to 4.2% from 2023-2025. With interest rates trending lower, debt capacity is likely to increase over the coming quarters, potentially supporting larger deal sizes and more competitive financing structures.

Chart 5. Average Total Debt / EBITDA Ratio Levels[2]



- **Exit/Liquidity:** Exit conditions improved in 2025 with annualized exit counts expected to exceed 2024 levels and with exit values already surpassing last year due to a rise in mega-deals (**Chart 6**). The recovery, however, remains selective, with faster exits concentrated among higher-quality assets while many portfolio companies continue to age, prolonging the liquidity drought.

  The improvement in exits has been accompanied by accelerating secondary market activity. H1 2025 secondary transaction volume reached $103 billion, a 51% increase over H1 2024. At this pace, the market is expected to exceed $200 billion for all of 2025, well above 2024 levels[3]. Notably, PE managers continue to turn towards GP-led continuation vehicles to generate liquidity, with 2025 activity already surpassing 2024's record. In H1 2025, 35% of private equity exit proceeds were executed through GP-led continuation funds, underscoring the rapid normalization of this liquidity pathway (**Chart 7**). We view the rise of continuation vehicles as a favorable development for lower-middle-market buyout managers, broadening the set of practical options for returning capital to LPs.

Chart 6. PE Exit Activity[1]

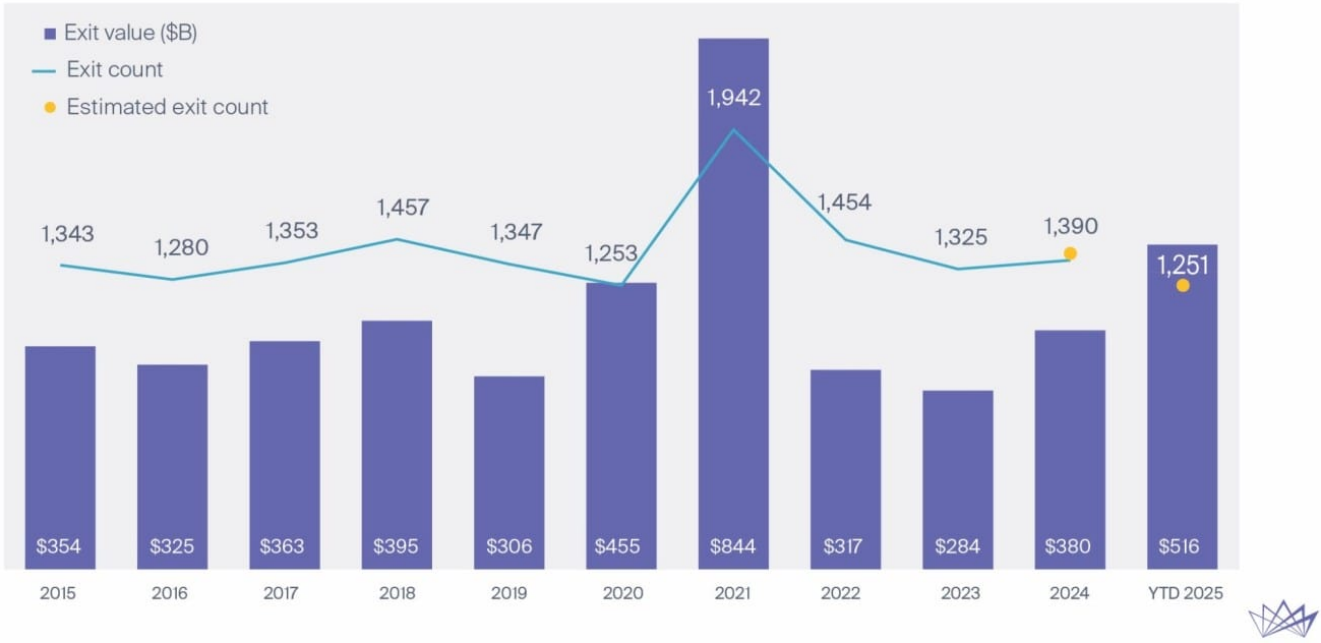
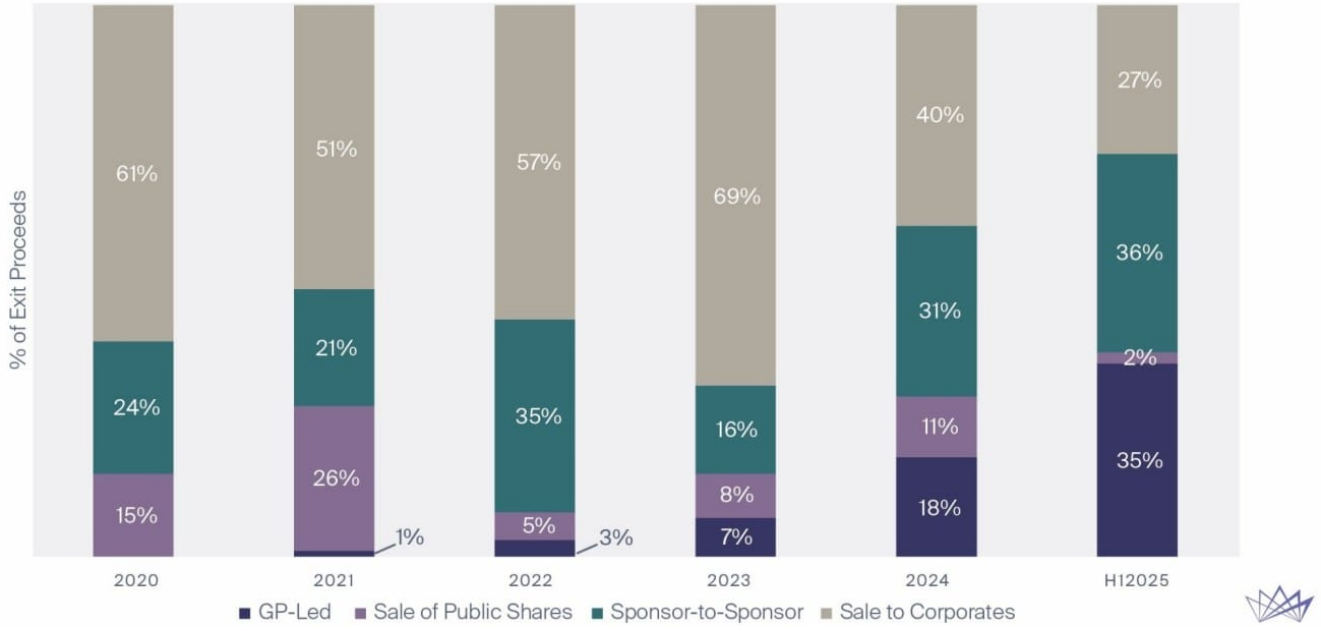


Chart 7. PE Exit Proceeds by Exit Type[4]



- **Gresham Perspective:** We are encouraged by the normalization in deal and exit activity in 2025 and have begun to experience renewed liquidity events within our buyout portfolio. The pattern of recovery reinforces our longstanding philosophy: in markets characterized by selectivity and heightened scrutiny, there is a clear flight to quality, and only fundamentally strong businesses are commanding premium valuations. We believe the current environment rewards disciplined managers who build durable, strategically valuable, cash-generative companies rather than those dependent on financial engineering or multiple expansion alone. Consistent with prior years, we continue to focus on the lower end of the buyout market where we

see better entry points, clear value-add initiatives to drive EBITDA, greater exit optionality, and a higher likelihood of liquidity through sales to larger PE sponsors or strategic buyers.

Venture

Venture capital in 2025 saw a selective recovery rather than one more broad-based. While deal activity has stabilized relative to 2024, capital deployment in 2025 was increasingly concentrated with fewer but larger deals (particularly in AI), supporting overall dollar volumes. Early signs of improvement in exit activity are beginning to emerge as the IPO market slowly reopens and companies adopt new acquisition strategies though liquidity timelines remain extended and uneven.

- **VC Deal and Fundraising Activity:** Deal activity stabilized relative to 2024, with fewer but larger rounds keeping overall deal value elevated despite lower deal counts (**Chart 8**). Not surprisingly, activity has been heavily concentrated in AI-related deals, which accounted for roughly 64% of venture deal value through September 2025. Unicorn companies (privately held businesses valued at $1 billion or more) have also dominated capital formation, capturing approximately 57% of dollars raised over the same period. Notable megadeals in 2025 include financing for OpenAI ($40 billion), Anthropic ($13 billion), xAI ($10 billion), and Databricks ($5 billion).

  While deal value has been supported by large transactions, the market has become increasingly bifurcated, and total fundraising continues to contract. As of Q3 2025, the number of U.S. VC funds raised year-to-date is near decade lows (**Chart 9**). The traditional "barbell" of active managers has reshaped meaningfully. At one end, a small number of very large multi-stage platforms have commanded more capital and influence. The prolonged liquidity drought has weighed on LP sentiment and intensified the flight of new capital to perceived safety among larger, more experienced firms such as Founders Fund, Andreessen Horowitz, and General Catalyst. The first half of 2025 illustrates this concentration clearly: just twelve U.S. VC firms accounted for over 50% of all capital raised, and the top 30 firms captured roughly 74% of capital raised over the same period[5].

  At the other end of the barbell is a growing cohort of smaller, hyper-specialist early-stage managers competing to write the first checks into startups, while the middle of the market has largely dissipated. In 2020, 50% of all VC funds raised $25 million or less; by Q3 2025, that share had risen to 67%, reflecting investors' desire to access idiosyncratic alpha earlier in the company lifecycle[6].

Chart 8. VC Deal Activity[5]

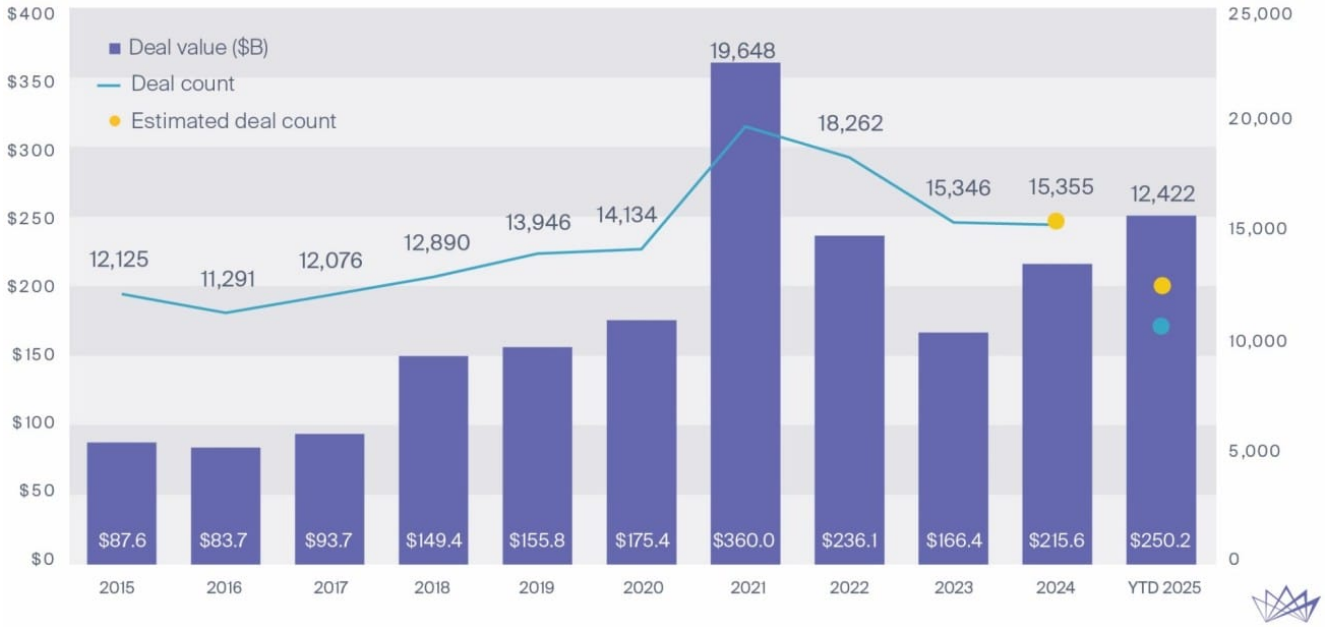
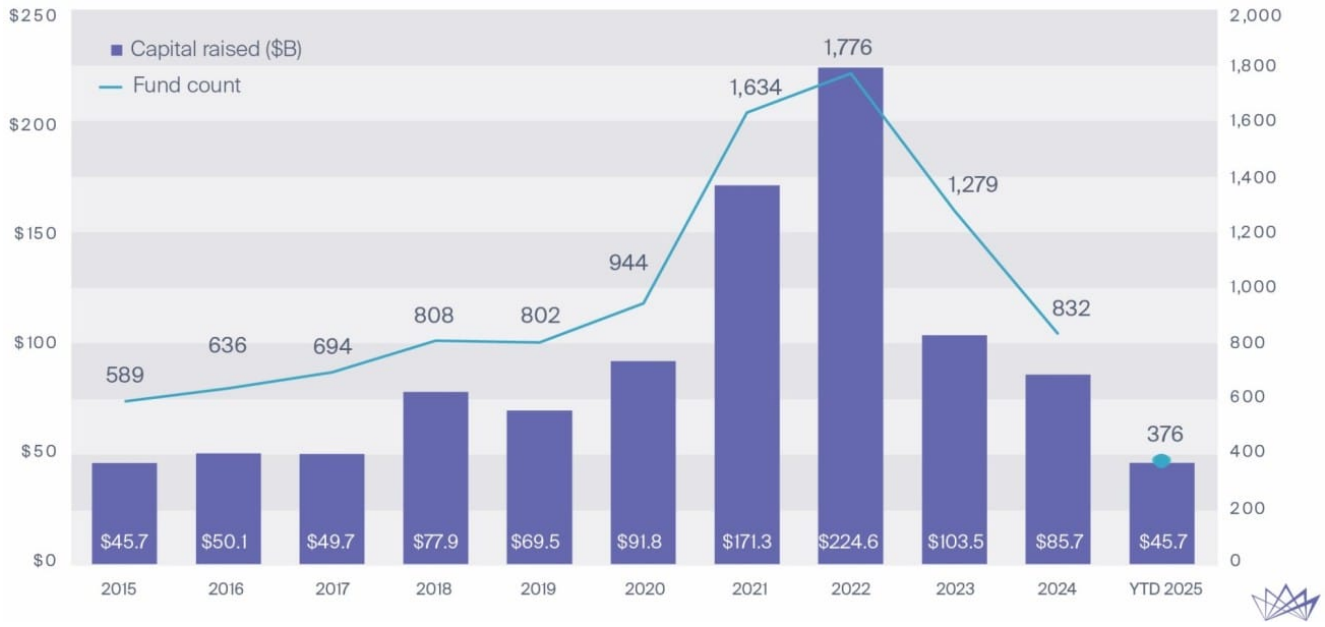


Chart 9. VC Fundraising Activity[5]



- **Valuation:** Counterintuitively, despite a sharp drop in VC capital raised, valuations have surged as managers concentrate their firepower on a handful of companies. Nearly every stage of venture investing reached decade-high valuations through Q3 2025 (**Chart 10**), reflecting elevated conviction around potential AI winners. This concentration is striking: in 2025, 41% of all VC dollars went to just ten companies – well above the 10-year average of 13.5%[5].

Chart 10. Median VC Pre-Money Valuation by Series[5]

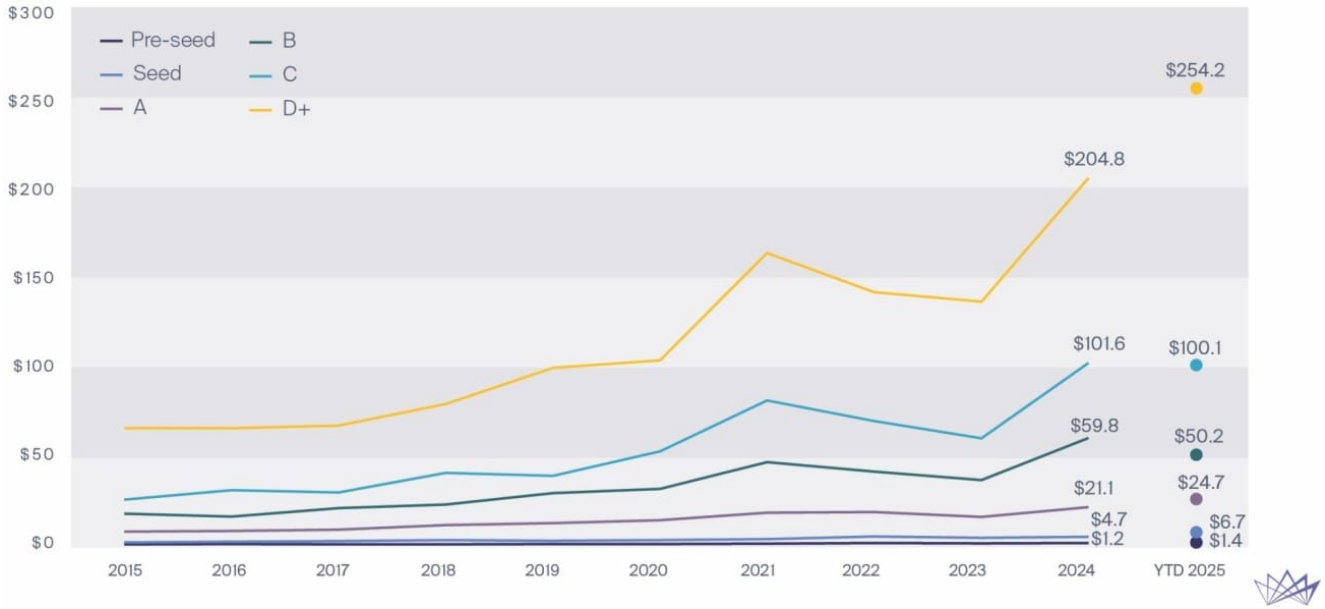
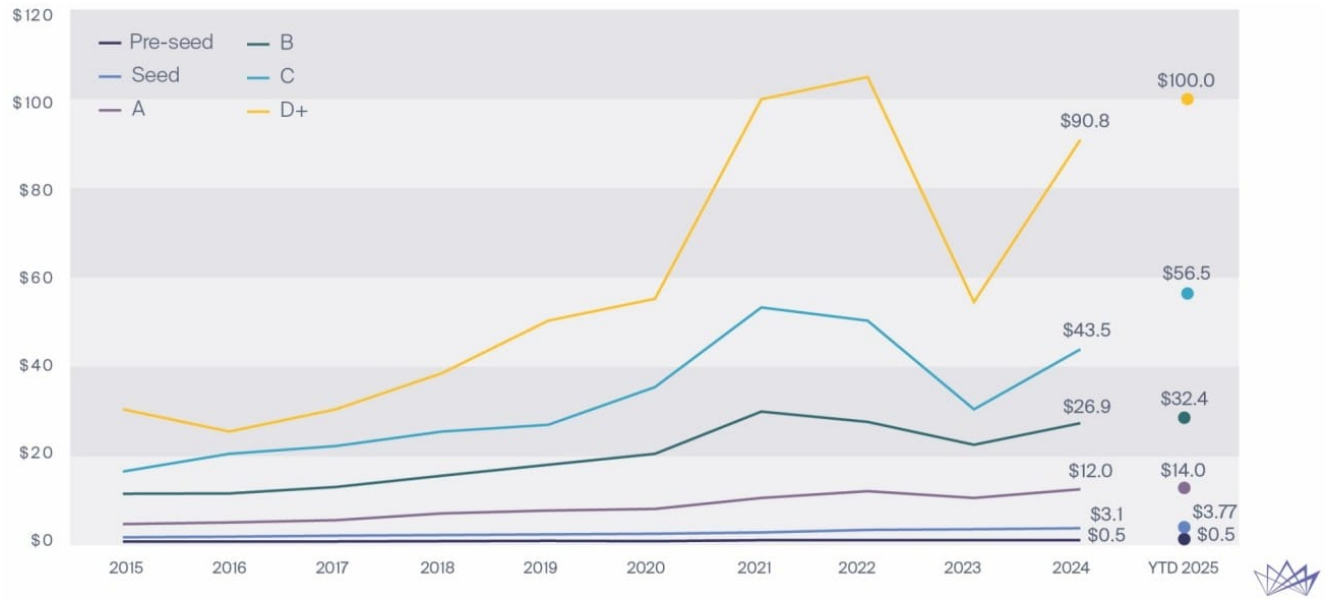


Chart 11. Median VC Deal Value by Series[5]



- **M&A activity:** Corporate M&A activity within the venture ecosystem remains shaped by evolving regulatory constraints, but a new trend has emerged as companies seek alternative pathways to acquire talent and technology. As heightened FTC and DOJ scrutiny prolongs traditional merger reviews and increases execution risk, acquirers in the AI sector have turned to what's being called "Blitzhire" structures as a workaround (to read more on "blitzhire" – see here). These transactions, such as Meta's acquisition of Scale AI in the summer of 2025, involve licensing a target's IP while simultaneously hiring its core technical team, thereby avoiding the delays associated with a formal merger filing. Although these structures can be complex and are not immune to regulatory challenge, they have proliferated because they offer speed in markets where technological advantage is

measured in months, not years. The rise of Blitzhire transactions underscores how regulatory pressure and intense competition are reshaping M&A mechanics, creating unconventional but increasingly common exit pathways for venture-backed companies.

- **Exit/Liquidity:** Exit activity for VC-backed companies showed signs of revival in 2025 (**Chart 13**). Following a prolonged slowdown that started in 2022, activity in the IPO market showed signs of rebound with year-to-date (through Q3 2025) activity totaling176 IPOs (**Chart 12**) and generating over $30 billion in proceeds[7]. High-profile VC-backed listings included CoreWeave, Circle, Figma, StubHub, and Chime. The profile of newly public companies, however, differs meaningfully from prior cycles. Average revenue at IPO is up substantially, rising from just under $200 million in the early 2010s to ~$500 million[8] today. At the same time, growth profiles have moderated. Companies that went public between 2022 and 2025 averaged just 9% annual revenue growth[5], contributing to lower valuation levels with median Software as a Service ("SaaS") revenue multiples compressing to 6.1x as of September (**Chart 14**). Notably, roughly half of recent venture-backed tech IPOs priced at a discount to their most recent private financing, underscoring the persistent gap between private and public market expectations.

Chart 12. Number of IPOs[8]

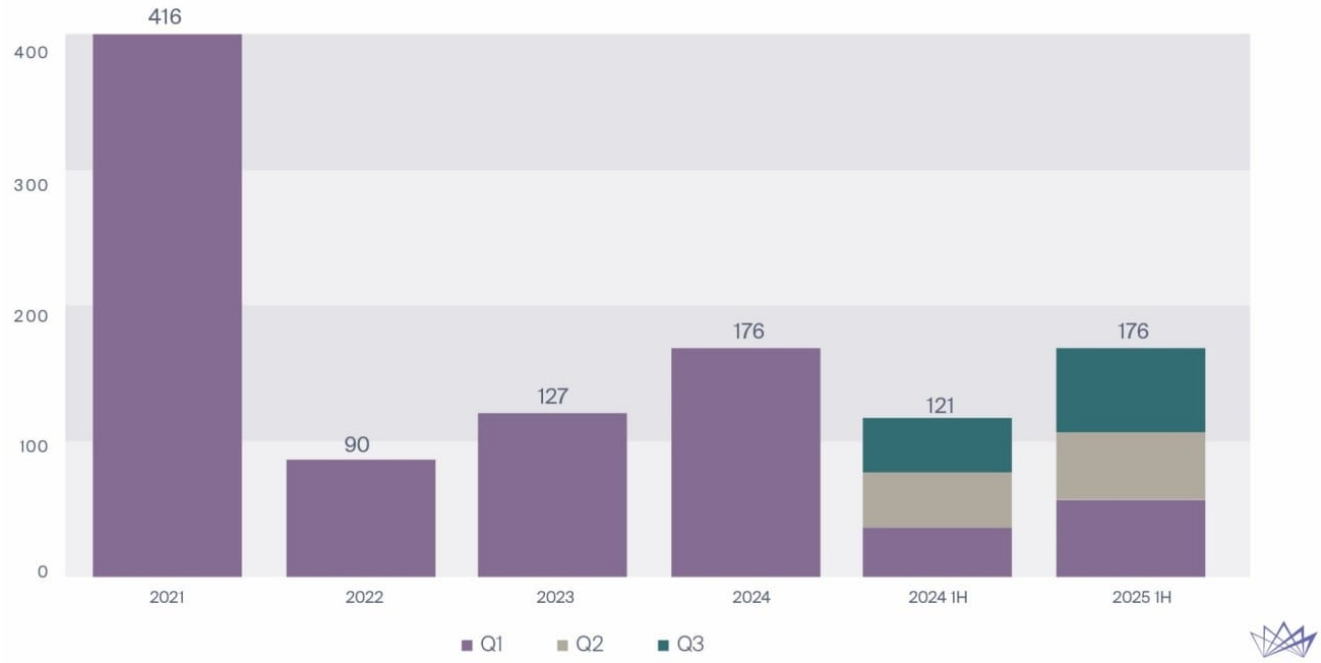


Chart 13. VC Exit Activity[5]

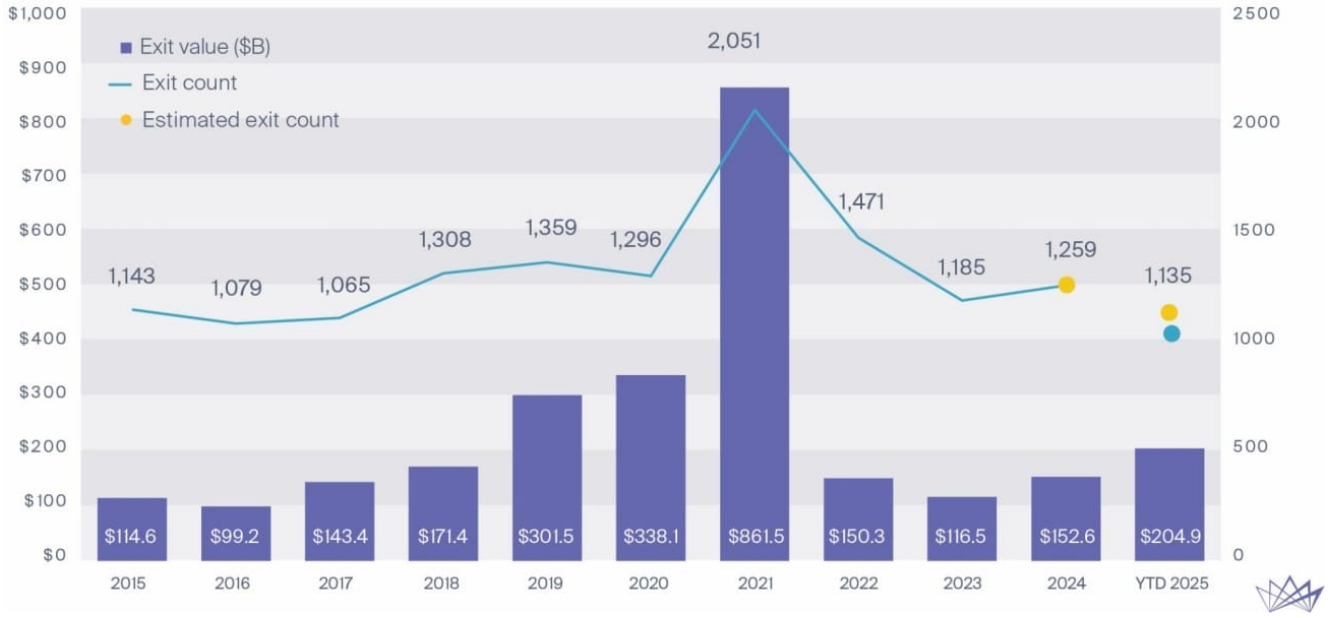
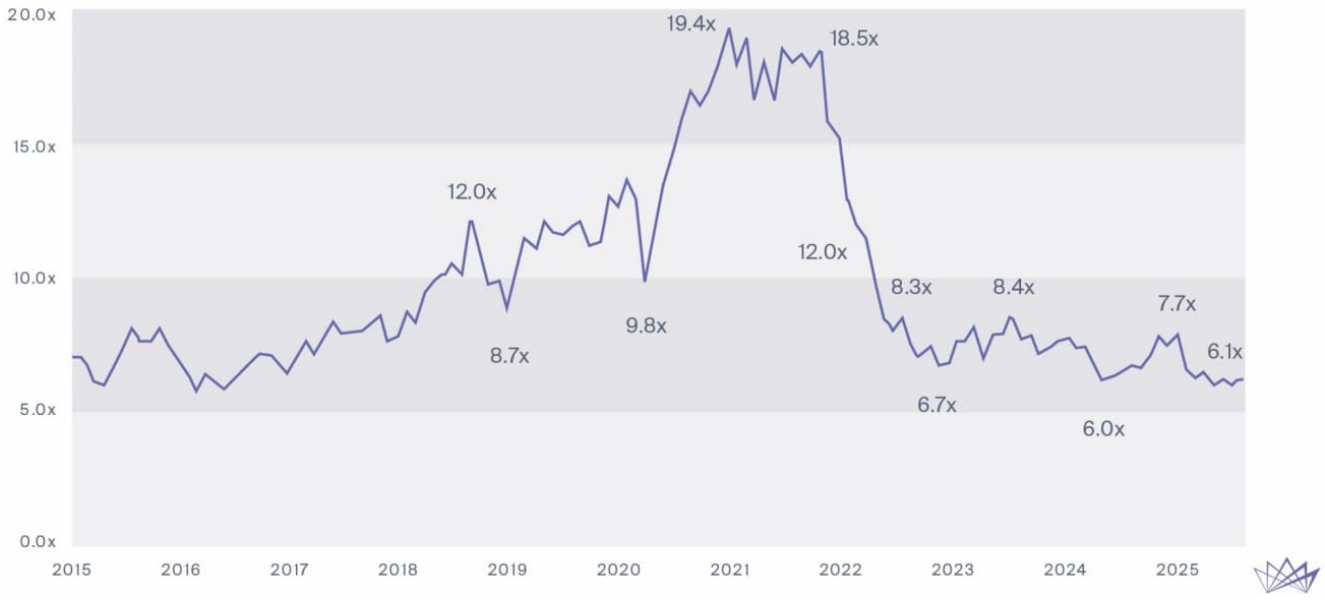


Chart 14. Median SaaS Revenue Multiples[9]



- **Gresham Perspective:** AI represents a genuine technological paradigm shift, and generative AI is arguably the most powerful innovation to emerge in the past two decades. However, inventing breakthrough technology is not the same as successfully commercializing it. As history has shown, including during the dot-com era, early adopters of platform shifts are not always the ultimate market winners. While we are optimistic about AI's long-term potential, we remain cautious amid elevated valuations, mega-round financing, and periods of market exuberance.

  In the current environment, we maintain long-term conviction in venture capital as a highly productive investment strategy while acknowledging that near-term volatility may persist. Consistent with our philosophy, we continue to partner with disciplined, valuation-aware managers who back exceptional teams building durable, category-defining businesses. Our strategy remains grounded in pairing select core multi-

stage platform exposure with a deliberate emphasis on investments at the earliest stages of company formation, where we believe opportunities are most compelling and less influenced by broader market swings.

Real Assets

Natural resources (oil and gas)

In 2025, the oil and gas sector narrative started to shift from a singular focus on decarbonization to a broader emphasis on energy security and powering AI-related demand. Recent analysis from the International Energy Agency acknowledges more persistent fossil fuel usage, re-introducing a scenario in which oil and gas demand continues to grow through 2050, even as renewables expand.

In early 2026, developments involving Venezuela also highlighted a potential longer-term swing factor for the oil market. While the situation is still evolving, the broader takeaway is that conditions may eventually support higher Venezuelan oil production and exports. Any meaningful change would likely take time, so the near-term impact on prices may be muted, but it's something to watch since higher supply could put longer-term downward pressure on oil prices.

- **Fundraising Activity:** Fundraising for natural resources investments, which had steadily declined over the past decade, saw a resurgence in 2025. Oil and gas fundraising remains modest in absolute terms and highly concentrated, but momentum has improved: rolling 12-month commitments have risen steadily since late 2024, driven largely by North American managers. This activity underscores that while many institutional LPs continue to tilt portfolios toward energy transition strategies, select investors are returning to the space. YTD 2025 through September, oil and gas managers raised $7.1 billion from investors, exceeding the capital raised in any single full year from 2020 through 2023.

Chart 15. Oil & Gas Fundraising Activity[10]

- **Oil prices** in 2025 stayed within a relatively tight band of $60-$76 per barrel that was modestly below 2024 levels. Prices were notably more stable than during the heightened volatility period observed from 2020 to 2022 (**Chart 16**), reflecting a more balanced supply-demand environment. Importantly, we believe this price range remains supportive of healthy producer profitability while not posing a significant drag on broader economic activity.

Chart 16. Price of Crude Oil (WTI)[11]

- **M&A Activity:** After two years of large-scale consolidation in upstream oil and gas, 2025 opened briskly, with deal value hitting ~$17 billion in the first quarter, the second best start to a year since 2018. Activity was led by Diamondback, including its acquisition of Double Eagle IV's Midland assets for ~$4.1 billion and the drop-

down of ~$4.5 billion in minerals and royalties to Viper. As the year progressed, activity slowed meaningfully as persistently lower crude prices kept many buyers, particularly for oil-heavy PE-backed exits, on the sidelines. Overall, 2025 reflected a return toward targeted, inventory-accretive deals after the mega-merger wave of 2023-2024.

- **Gresham Perspective:** Our mandate in private real assets is to assemble inflation-responsive investments capable of preserving purchasing power through challenging economic regimes. Within this framework, we continue to view oil and gas as strategically relevant. In this area, we remain focused on opportunistic, concentrated commitments with GPs who demonstrate strong execution capabilities, are exit-aware, and employ disciplined, prudent use of leverage.

Real Estate

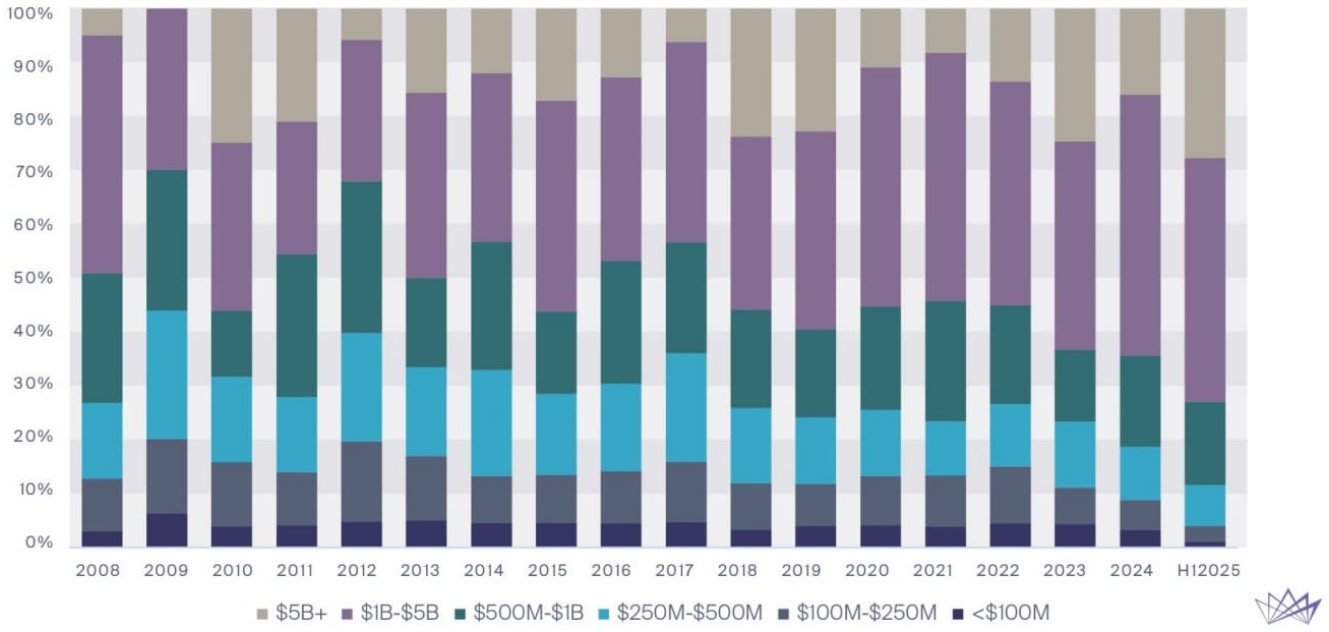
Persistently elevated interest rates, refinancing pressures, and rising delinquency rates continue to weigh on U.S. real estate fundraising and transaction activity. While the sector has faced sustained challenges, early signs of stabilization are beginning to emerge as deal activity modestly improves and select property types, such as industrial and senior housing, show resilience. Despite these green shoots, a true recovery remains uncertain and highly dependent on the interest rate environment and broader economic conditions.

- **Deal & Fundraising Activity:** U.S. real estate deal activity has improved modestly from the lows of 2023-2024 but continues to sit well below its pre-COVID highs. Through the first three quarters of 2025, single-property transaction volume totaled ~$265 billion[12]. While historically low, this level outpaces both 2023 and 2024 and was driven primarily by multifamily assets. Despite the increase in dollar volume, overall deal count remains below prior years, highlighting an uneven market recovery.

  The fundraising environment remains challenging, though early signs point to a gradual improvement relative to 2024. Capital raised in the first half of 2025 is already on pace to pass full-year 2024 fundraising totals (**Chart 17**). As in previous years, investor interest remains heavily concentrated among established managers and later-generation funds. In the first half of 2025, funds exceeding $1 billion in size accounted for roughly 70% of total fundraising activity (**Chart 18**). While allocations toward real estate appear to be stabilizing, LPs remain selective and cautious, particularly when considering newer or unproven managers in a complex market landscape.

Chart 17. Real Estate Fundraising Activity[13]

Chart 18. Share of Real Estate Capital Raised by Size Bucket[13]



Subsector

- **Multifamily**[14] – New deliveries outpaced net absorption for the first time in six quarters, driving vacancy rates higher across the multifamily space. The CMBS multifamily delinquency rate increased from ~4.2% in November 2024 to ~7.0% in November 2025[15]. In many markets, capitalization rates still do not fully compensate for borrowing costs, leaving a large portion of the sector "upside down" on yield. This dynamic continues to pressure owners with floating-rate debt or near-term

maturities, creating pockets of idiosyncratic distress and select buying opportunities.

- **Industrials**[16] – Vacancy rates stabilized at 6.6%, reversing a trend of quarterly increases since Q2 2022. Leasing remains robust, with year-to-date (through Q3 2025) leasing activity up 9.8%. Delinquency rates are the lowest among the major real estate segments with levels remaining under 1%[15]. This is a subsector within real estate we believe has the strongest fundamentals.

- **Retail**[17] – Retail fundamentals have stabilized amid rising demand and declining new supply. Vacancy remains tight at 4.9% (Q3 2025) while delinquency rates are stable year-over-year[15] and new retail deliveries trend lower. These dynamics are most pronounced in the Sun Belt and Southeast, where population and income growth provide additional support. In our view, this backdrop makes retail a compelling near-term investment opportunity.

- **Office**[18] – Demand continued to outpace supply, with the sixth consecutive quarter of positive net absorption and vacancy decreasing to 18.8%. Comparing prime vs non-prime office buildings, the spread between vacancy rates continues to widen as tenants favor high-quality space in the best locations. This is a subsector in real estate we think there may be pockets of opportunities, but we remain overall cautious.

- **Senior Housing**[19] – Occupancy rates rose for the seventeenth straight quarter to 88.7% as consumer demand across all community types outpaces new construction. This is another area where we have high conviction.

- **Data Centers**[20] – Vacancy rates stand at a record low of 1.6% as hyperscale AI providers accelerate efforts to secure power and capacity. Demand exceeds supply across most major markets, driving higher lease rates, with 74.3% of capacity under construction already pre-leased to cloud and AI tenants.

- **Gresham Perspective:** While the real estate sector continues to work through meaningful challenges, we remain cautiously optimistic, particularly as declining interest rates in 2026 may help stabilize fundamentals and improve transaction activity. Within this environment, we are focused on opportunities where operational expertise, value creation, and specialized knowledge matter most. We continue to explore targeted strategies, typically with higher entry cap rates, such as senior housing, industrial outdoor storage, and manufactured housing, partnering with managers who demonstrate strong execution capabilities, disciplined underwriting, and the ability to drive value through hands-on operations.

Conclusion

Despite continued complexity across private markets, including valuation dispersion, an uneven recovery in fundraising, and still-evolving exit conditions, we remain confident in the long-term value creation potential of private investments. Encouraging signs in 2025, such as a gradually improving exit environment and renewed innovation, particularly across AI and broader technology ecosystems, support a constructive forward outlook. Rather than attempting to time markets, we continue to believe that disciplined pacing, rigorous manager selection, and a focus on durable business models are critical to capturing.

Footnotes

[1] Pitchbook US PE Breakdown Q3 2025

[2] https://www.capstonepartners.com/insights/middle-market-leveraged-finance-report/

[3] Campbell Lutyens Secondary Market Overview Report 1H 2025

[4] SPI by StepStone as of June 2025

[5] Q3 2025 Pitchbook NVCA Venture Monitor

[6] https://carta.com/data/vc-fund-performance-q3-2025-full-report/

[7] https://www.ey.com/en_us/insights/ipo/ipo-market-trends

[8] H2 2025 SVB's Innovation Economy Outlook

[9] Aventis Advisors SaaS Valuation Multiples: 2015-2025 Q3 2025 Update

[10] Pitchbook Global Real Assets Report Q3 2025

[11] https://fred.stlouisfed.org/series/MCOILWTICO# (Monthly data)

[12] https://www.altusgroup.com/featured-insights/cre-transactions/

[13] Pitchbook H1 2025 Global Real Estate Report

[14] Q3 2025 CBRE U.S. Multifamily Figures

[15] Trepp CMBS Delinquency Report November 2025

[16] Q3 2025 CBRE U.S. Industrial Figures

[17] Q3 2025 CBRE U.S. Retail Figures

[18] Q3 2025 CBRE U.S. Office Figures

[19] Q3 2025 NIC MAP Market Fundamentals

[20] https://www.cbre.com/insights/briefs/north-america-data-center-trends-h1-2025-ai-and-hyperscaler-demand-lead-to-record-low-vacancy?utm_source=chatgpt.com

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Gresham Partners LLC
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