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2026 US Venture Capital Outlook: Midyear Update

Checking in on our 2026 US VC predictions

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

2026 outlooks

Introduction

At the end of every year, we share our views on how the year ahead will unfold for US venture capital. We offered four outlooks for 2026, and it is time to take stock of those trends to see how they are tracking. We look forward to sharing our takes on these and other developments throughout the year in our two quarterly reports: the PitchBook-NVCA Venture Monitor and US VC Valuations and Returns Report.

The first half of 2026 has been six months of contradiction and concentration. Dealmaking, fundraising, and liquidity have each shown volatility, even if they have been largely insulated from the uncertainty surrounding war in the Middle East and returning inflation. VC activity has also been unencumbered by the rising political challenges to AI and the growing anti-AI sentiment among the US population.

Based on top-line figures, H1 2026 VC activity has been record-breaking. Q1 was the largest quarter for exits ever, and if its deal value were a full-year total, it would have been the third largest. By itself, OpenAI's $122 billion round collected more value than all other quarterly totals ever. The deal was more than four times larger than the second-biggest deal of Q1, Anthropic's $30 billion round, which was larger than all deals under $100 million completed during the quarter. Anthropic has since added a $65 billion round, and both companies have confidentially filed for IPOs.

Mega-IPOs are the real story of the year. SpaceX's IPO was completed at a roughly $1.75 trillion valuation in June, while Anthropic and OpenAI are expected to complete their own $1 trillion IPOs in the coming months. These events have surfaced the biggest contradiction in the VC market so far this year: Liquidity is not widely available, yet these three companies have created more value than all VC-backed IPOs this century. They are the greatest example of the power law of venture. Beyond these companies, liquidity has remained low. There is a growing pipeline of IPOs, but it is in the single digits.

Fundraising also showcases the contradictions in H1. $62.4 billion has been closed YTD, putting 2026 on pace to have the third-highest annual figure ever. Yet 73.1% of closed commitments in Q1 went to five firms, and megafunds have roared back after a couple of years of slower fundraising. The biggest difference in current fundraising from the highs of 2021 and 2022 is that those years brought hundreds of new LPs into the venture ecosystem. Many of those LPs have since left. Those that are filling the space, such as sovereign wealth funds, now see that the venture market has grown large enough to put material amounts of money to work, and they are doing just that, investing amounts of capital in new funds that would dwarf past commitments.

H2 2026 will likely see many of the same trends. Mega-IPOs will be the main story. Secondaries are set to gain further popularity as liquidity keeps stalling. Dealmaking will continue to see increased activity levels despite concentrated fundraising and a lack of broad liquidity, unless the mega-IPOs have a poor reception from public market investors, which seems increasingly unlikely.

Our other outlook reports from December 2025 cover US PE, EMEA private capital, APAC private capital, healthcare, AI, and PE industries.

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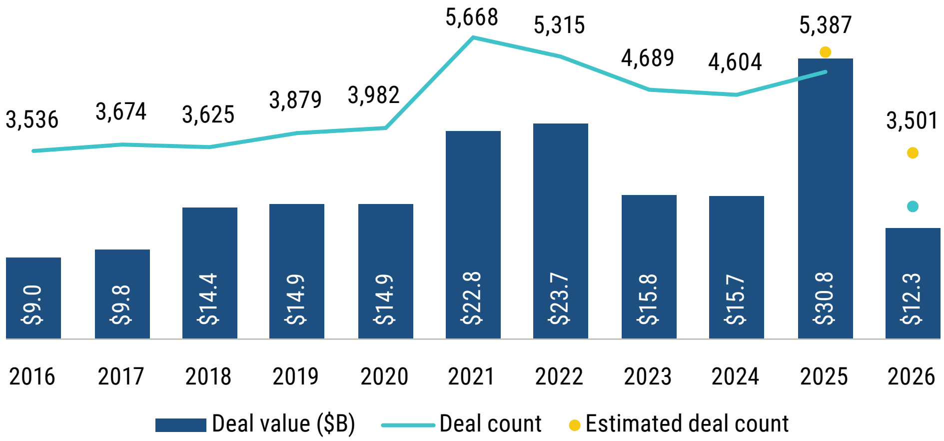
OUTLOOK

The early stages of the market will see a surge in deal activity.

First-financing VC deal activity



Source: PitchBook • Geography: US • As of May 31, 2026

Rationale from December 2025

It would have been counterintuitive to expect increased activity in the early stages of venture during a liquidity slowdown and a sluggish fundraising market, yet the early stages had already begun to defy expectations in late 2025. Through Q3 2025, venture funds had closed only $45 billion in new commitments, the lowest total since 2017. Additionally, many small funds and emerging managers that raised capital in 2021 or even 2022 had likely used most of their dry powder and were unable to be active investors, at least to the extent needed to boost deal count. Yet first-financing activity through the first three quarters of 2025 was just 200 deals behind where 2021 stood in the same time frame, which had become the high-water mark for companies receiving their first investment. On top of that, early-stage deal count had increased in each of the previous three quarters, and our estimated early-stage deal count for full-year 2025 was roughly on par with full-year 2023 and 2024 totals.

Two major trends pointed directly toward 2026 being a highly active year for early-stage VC. First, AI had driven investor focus and shrunk the cost of building a company. This was not novel, as hype and costs are two directly related trends that can impact investment. Second, multistage investors with seemingly unlimited follow-on capital had increasingly been investing in seed and Series A rounds, and the data supported their recalibrated strategy. Between the beginning of 2024 and November 7, 2025, Andreessen Horowitz had invested in more than 300 seed and Series A deals, and there was reason to believe that more large firms would adopt this strategy.

Midyear update: Outlook is tracking as expected.

Through the end of May, US first financings were tracking to exceed 7,000 by year-end, which would be the highest annual number of deals by more than 1,300. Even without our estimated deal count, which estimates the number of lagged deals that will be recorded later, the year is on track for nearly 6,000 first financings, which would itself be a new record.

The ability of untrained coders to develop concepts and initial products or websites with Claude Code and OpenAI's Codex has brought the barrier to launching a company down to the lowest levels ever seen. According to Stripe, the percentage of C-Corp companies launched through Stripe Atlas without co-founders reached 63% in Q2, an all-time high.[1]

AI activity continues to reach a fever pitch, and the largest investors keep fueling the fire. As of June 11, Andreessen Horowitz had made 74 seed, Series A, and Series B deals in 2026. General Catalyst, Lightspeed Venture Partners, and Sequoia Capital together had accounted for another 104. These funds have not become active early investors; instead, they have continued to grow larger while becoming more entrenched in seed and early-stage deals. Andreessen Horowitz has announced the closing of $15 billion worth of funds this year, yet its focus remains on young or new companies. And that is for good reason: The early stage continues to drive outsized returns, but for such large firms, the mechanics of those returns are different. Seed deals are as much of a deal-sourcing platform as they are a return-generating investment. A 50x return on a $10 million investment would provide $500 million to a fund, but that would be roughly 3% of Andreessen Horowitz's commitments closed this year. Megafund managers follow on to increase stakes or simply keep stakes high, and the continued development of the institutional secondary market is an opportunity afforded to existing investors. Holding a 20% stake in a $100 billion IPO was a hypothetical 10 years ago, but it will likely become a reality in the next few years.

AI's ability to continue driving such high investor interest over the next six months may hinge on the Anthropic and OpenAI IPOs: not on their performance, but on their ability to sustain their growth under public market scrutiny. A high number of target companies will continue coming to market for a raise, but at some point, sustained investment levels will need to be validated by the continued dominance of the models that have driven investors' focus on AI.

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OUTLOOK

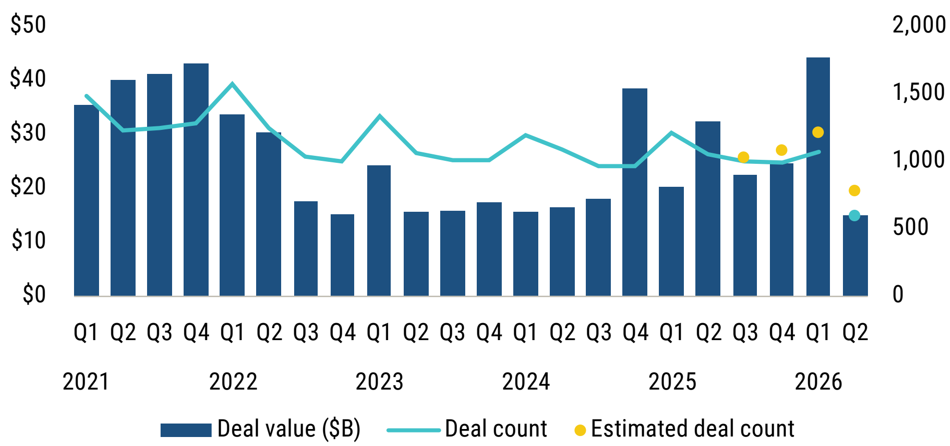
Later-stage deal activity will remain strong.

Rationale from December 2025

By late 2025, late-stage deal activity had remained resilient despite the prolonged liquidity drought. Annualized late-stage VC deal value stood at $107.6 billion, second only to 2021. Venture-growth activity was on track for a record year, with annualized deal value surging to $150.2 billion, surpassing the 2021 record of $91.6 billion, and annualized deal count matching 2021 levels. Deal value was heavily influenced by a handful of outsized AI rounds. The market kept bifurcating: Strong AI companies continued to access substantial capital from multistage funds and strategic investors, while companies that struggled to keep growing quickly faced funding strain. Through Q3, the number of active US unicorns had grown to 830 in 2025, with their aggregate post-money valuation reaching a record $3.9 trillion. However, a large amount of capital remained tied up in these private companies, many of which had slowed in growth, increasing liquidity constraints and leaving them facing mounting survival challenges and difficulty raising follow-on rounds.

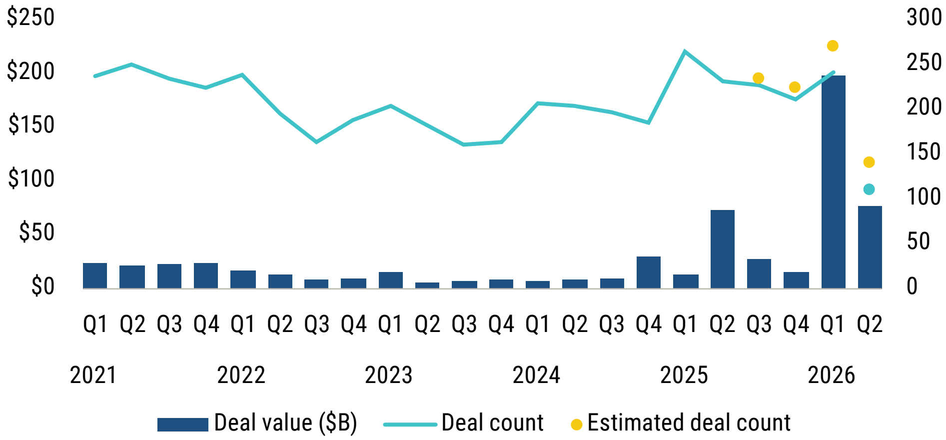
Against this backdrop, we projected a modest continuation of strength at the later stages in 2026, contingent on the AI boom maintaining momentum and the exit market continuing to improve. A relatively stronger IPO environment was expected to pull crossover and corporate investors back into large, later-stage deals. The primary risk we identified was the concentration of late-stage activity in AI: If public AI valuations were to contract meaningfully, private AI startups would likely face similar markdowns, weakening investor confidence and reducing their willingness to deploy large amounts of capital at that stage. A deterioration in the exit environment would compound that pressure, dampening appetite for companies approaching a liquidity event.

Late-stage VC deal activity by quarter



Source: PitchBook • Geography: US • As of May 31, 2026

Venture-growth deal activity by quarter



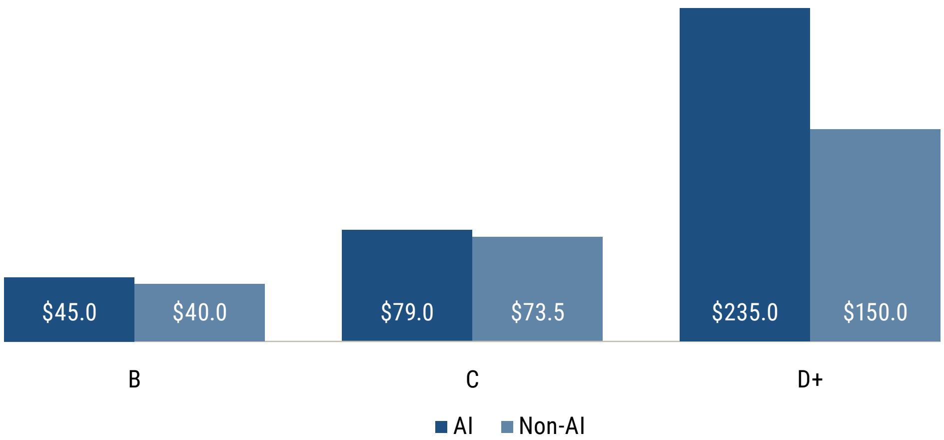
Source: PitchBook • Geography: US • As of May 31, 2026

Midyear update: Outlook is tracking with some variations.

Both late-stage VC and venture-growth deal activity have been strong YTD, with AI serving as a significant driver across both stages. At the late stage, $59.3 billion was deployed across an estimated 1,990 deals through May 31, with annualized deal value on pace to reach the second-highest level in a decade, trailing only the 2021 record of $159.8 billion. Venture-growth activity was even stronger: $274.2 billion was deployed across an estimated 409 deals through May 31, already more than twice the full-year 2025 deal value, which was itself the highest in a decade.

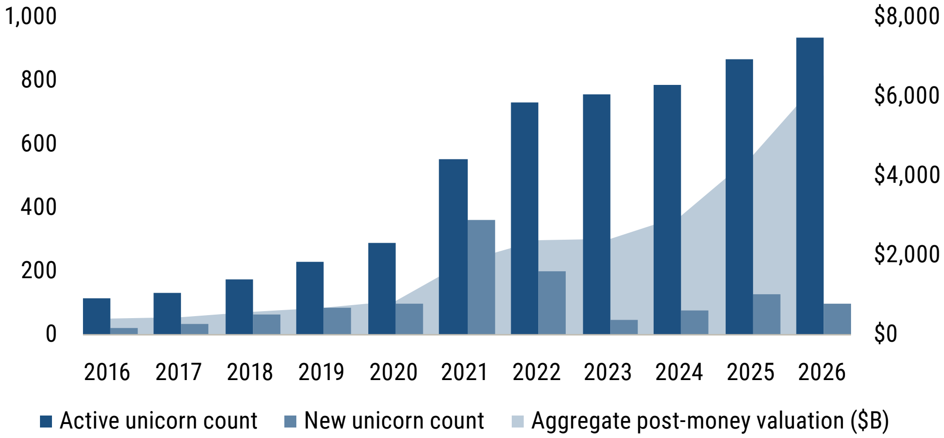
Capital at both stages was heavily concentrated in a small number of high-valued AI companies. The four largest rounds YTD were raised by three leading foundation model companies: OpenAI; Anthropic, which closed two rounds; and xAI, collectively raising $237 billion. All four rounds were venture-growth deals, and their aggregate value accounted for 86.4% of total YTD deal value at that stage. At the late stage, Waymo, the Alphabet-backed autonomous driving company, raised a $16 billion Series D round that alone represented 27% of total late-stage YTD deal value. The AI premium in median deal sizes further illustrates this dynamic: While the gap between AI and non-AI median deal sizes remains modest at Series B and C, at 12.5% and 7.5%, respectively, it expands sharply at Series D+, where the AI median deal value of $235 million is 56.7% higher than the non-AI median of $150 million, reflecting the outsized rounds raised by the most mature and highest-valued AI companies.

YTD median AI versus non-AI VC deal value ($M) by series



Source: PitchBook • Geography: US • As of May 31, 2026

Unicorn count and aggregate VC post-money valuation



Source: PitchBook • Geography: US • As of May 31, 2026

Top 10 unicorns by most recent VC post-money valuation

Company	Post-money valuation ($B)	Sector	Vertical(s)	HQ location
Anthropic	$965.0	IT	AI & machine learning (ML), Big Data, software as a service (SaaS)	San Francisco, CA
OpenAI	$852.0	IT	AI & ML, Big Data, mobile, SaaS	San Francisco, CA
Databricks	$134.0	IT	AI & ML, Big Data, mobile, SaaS	San Francisco, CA
Waymo	$126.0	B2C	AI & ML, autonomous cars, mobility tech, mobile	Mountain View, CA
Scale AI	$74.1	IT	AI & ML, Big Data, SaaS	San Francisco, CA
Anduril Industries	$61.0	B2B	Augmented reality, AI & ML, robotics & drones	Costa Mesa, CA
Ripple	$40.0	Financial services	B2B payments, cryptocurrency/blockchain, fintech, SaaS	San Francisco, CA
Figure	$39.0	IT	Advanced manufacturing, AI & ML, manufacturing, robotics & drones	San Jose, CA
Juul Labs	$38.0	B2C	E-commerce, LOHAS & wellness	Washington, DC
Project Prometheus	$38.0	IT	Advanced manufacturing, AI & ML	San Francisco, CA

Source: PitchBook • Geography: US • As of May 31, 2026

The AI investment boom has largely tracked with our outlook, but the anticipated recovery in exits, especially large listings, has been slower to materialize. While fast-growing AI companies continue to tap into abundant capital, the broader venture market has grappled with liquidity constraints amid a lackluster exit landscape. Since Q3 2025, the aggregate post-money valuation of US unicorns has grown from $3.9 trillion to $6.6 trillion YTD, driven largely by the highest-valued AI unicorns continuing to close record-high funding rounds at increasingly elevated valuations. The scale of that appreciation is striking at the company level. The three highest-valued US AI unicorns—Anthropic, OpenAI, and Databricks—carried a combined valuation of $783 billion as of Q3 2025. So far in 2026, that same group, still the three largest active US unicorns, has an aggregate valuation of $1.95 trillion, a near 2.5x increase over roughly eight months. The result is an unprecedented concentration of value in privately held companies, deepening the liquidity constraints that continue to weigh on the broader venture ecosystem. Despite record headline exit values in Q1 2026, underlying exit activity remains largely concentrated in a small number of transactions, with the broader IPO pipeline still thin and the pace of listings well short of what is needed to generate meaningful LP distributions.

The liquidity stalemate may be near a turning point. SpaceX went public on June 12, and Anthropic and OpenAI have filed to go public later this year. SpaceX's debut was met with strong enthusiasm, with shares up 19% on the first day of trading on a heavily oversubscribed order book. However, the performance reflected constrained supply as much as fundamental conviction, with a limited float leaving unmet demand chasing a small number of available shares. A clearer read on business fundamentals will emerge as the company files its first earnings reports. Moreover, SpaceX is not a pure-play AI company: Despite growing AI revenue streams, its core business is aerospace and satellite connectivity. How the Anthropic and OpenAI IPOs are received will serve as the more direct pricing benchmark for mature AI companies and will likely shape valuation expectations at the late and venture-growth stages for the remainder of the year.

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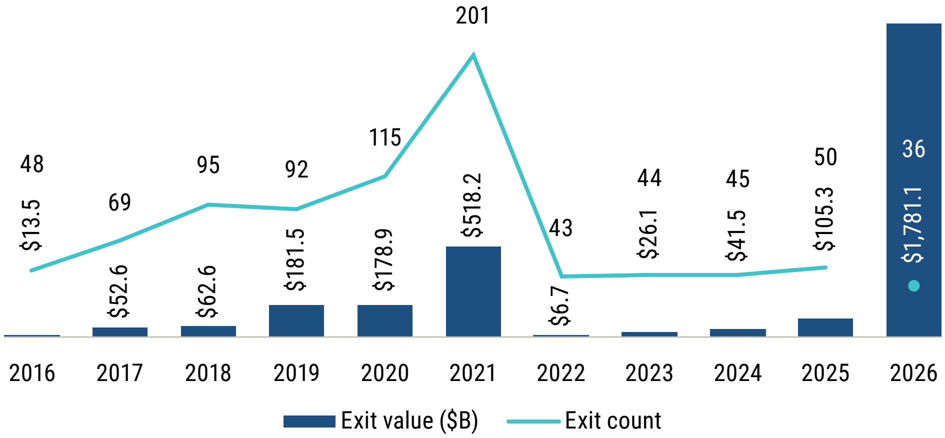
OUTLOOK

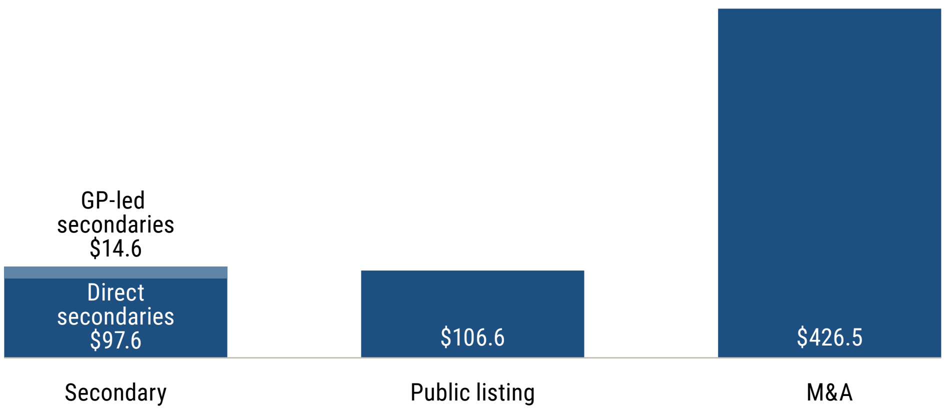
Liquidity will return, though recovery will remain uneven.

VC IPO activity



Source: PitchBook • Geography: US • As of June 16, 2026

VC exit value ($B) by type (Q2 2025 to Q1 2026)



Source: PitchBook • Geography: US • As of March 31, 2026

Rationale from December 2025

Our favorable outlook predicted 68 IPOs in 2026: the decade average excluding 2021. This average was 44.7% higher than 2025's projected total IPO count, so reaching that level hinged on a set of favorable macro conditions, such as decreasing market volatility and valuation compression. In the absence of these tailwinds, our unfavorable scenario assumed IPO activity would remain at the 2025 level of 47 offerings, only slightly above the post-pandemic years. This modest level of liquidity could still have offered meaningful relief to VC if a handful of high-value listings generated significant distributions.

The IPO window was expected to reopen slightly but remain highly selective, favoring companies with exposure to sectors with regulatory support, including AI, crypto, fintech, defense, and space. Overall, the recent wave of IPOs appeared to be opportunistic rather than a systemic reopening. Barring a macro shock or renewed volatility, IPO counts were expected to rise incrementally throughout 2026, but the window would remain narrow and biased toward select sectors.

Venture secondaries were set to play an even larger role in 2026. For investors, secondaries offer a mechanism to realize returns without IPOs or M&A; for startups, they provide flexibility to extend private lifecycles while reorganizing cap tables, replacing early investors with long-term shareholders less constrained by the typical 10-year fund horizon.

A sustained rebound in primary dealmaking and exit activity would have provided much-needed pricing benchmarks and significantly increased secondary participation. Without that momentum, the market likely would have continued its gradual expansion, supported by rising valuations and the normalization of secondaries, whether through company-sponsored tender offers, institutional acquisitions, or retail demand. For many investors, a combination of policy tailwinds, pricing opacity, and restrictive transfer controls would have continued to limit transaction volume to a narrow set of elite companies. Most opportunities were to remain concentrated among established secondary investors with the scale and access needed to secure full information rights.

Midyear update: Outlook is tracking as expected.

YTD IPOs reinforce the selective pattern from 2025, as companies that have come to market have been either profitable or operating in sectors with favorable policy tailwinds, including AI and crypto. Cerebras, EquipmentShare, and BitGo are all trading below their first-day closing price as of this writing.

2026 is currently on pace for 77 listings, comfortably above our favorable scenario of 68. However, this projection is far from guaranteed, as activity in the second half of the year will be shaped almost entirely by how the market receives the mega-IPOs of SpaceX, Anthropic, and OpenAI. These three public listings have no real precedent: US VC-backed public listings since 2016 have generated a combined $1.5 trillion in exit value, and the SpaceX IPO alone dwarfed that decadelong figure.

Strong receptions for these mega-IPOs would do more than generate much-needed distributions for venture. They would validate the enormous AI valuations in the private market, especially because 30% of VC-backed unicorns today are AI-native or AI-adjacent. Weak performance risks shutting down the IPO pipeline, and given that major IPOs from Alibaba, Meta, Uber, and Figma all saw dips in stock prices in their first year of trading, this possibility is very real. Unfavorable mega-IPO listings would also prompt venture secondary buyers to reassess whether startups are overvalued or have viable exit opportunities, potentially shuttering secondary activity. Though the secondary market reached an annualized value of $112.2 billion in Q1, exceeding public listings in exit value, transaction volume is heavily concentrated. In May, the top 20 names accounted for 81.1% of secondary trading value on Hiive,[2] highlighting how secondaries' rapid expansion was built on a narrow foundation of companies that will soon depart for the public markets.

In both scenarios, capital will not be recycled immediately into venture and secondaries, as LP contributions have outweighed distributions for four consecutive years. The lockup period and accumulated deficit will be addressed before there is any meaningful rotation of capital back into the asset class. Therefore, in the near term, the secondary market will contract in headline volume when the mega-IPO candidates go public. How deeply it contracts and how quickly it recovers will depend on the IPOs' reception, the pace of capital recycling, and whether the next tier of secondary names can maintain the deal cadence of the departing cohort. Navigating that transition successfully is what will separate the secondary market's adolescence from its maturity.

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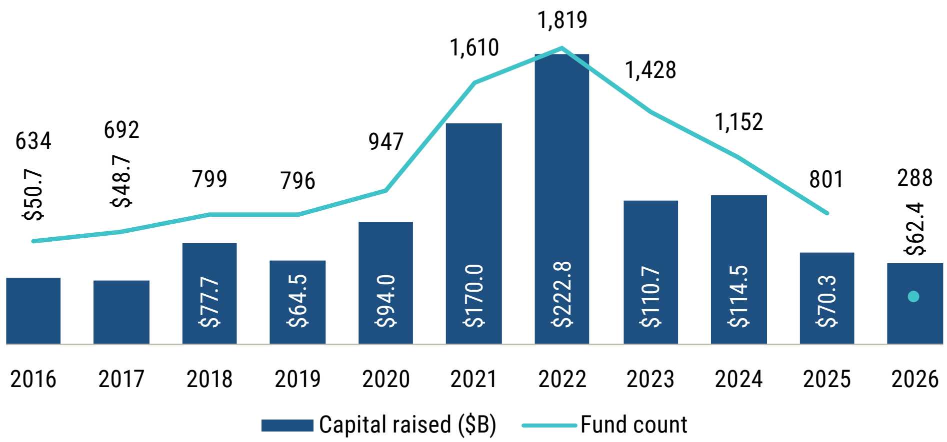
OUTLOOK

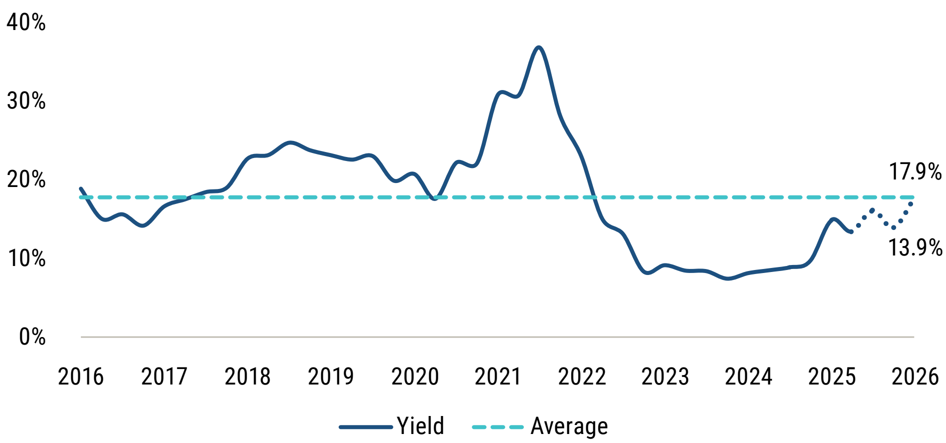
Fundraising has bottomed out, and a gradual rebound awaits as distributions and LP sentiment improve.

VC fundraising activity



Source: PitchBook • Geography: US • As of May 31, 2026

VC 12-month distribution yield as a share of net asset value



Source: PitchBook • Geography: US • As of March 31, 2026
Note: The values for Q3 and Q4 2025 were estimated from venture exit values. Data is based on funds 5 years or older. In Q3 2025, the methodology was updated to include interpolated fund returns.

Rationale from December 2025

We expected fundraising to increase in 2026, supported by improving exit activity and gradually recovering LP sentiment. Fundraising in 2025 was subdued, with $70.3 billion raised across 801 funds. The main constraint has been the persistent lack of liquidity, which has kept LPs cautious and concentrated commitments in established firms. Despite roughly $169 billion in cumulative negative cash flows since 2022, data through early 2025 suggested conditions were bottoming out, aided by more active exits and secondary activity. If that momentum continued, fundraising could have reached $100 billion to $130 billion in 2026, based on the historical link between distribution yields and fundraising trends.

Fundraising in venture has always followed a cyclical pattern, rising and falling with distributions and LP risk appetite. Distributions and liquidity are the key drivers of fundraising activity. When liquidity improves, LPs tend to redeploy a significant share of returned capital into new funds, creating a self-sustaining cycle that fuels future commitments. Historically, fundraising peaks and troughs have followed shifts in distribution yields by roughly a year. While the relationship is not perfectly linear, prior-year yields have consistently explained a substantial portion of fundraising in subsequent periods.

As the market normalized, we expected distributions to remain the main source of fundraising in 2026, accounting for roughly 70% of total capital raised, with the remainder coming from new capital inflows. In a downside scenario, if 2025 distributions held near 2024 levels of about $70 billion, fundraising could have settled around $100 billion in 2026. But given the stronger exit activity through 2025, the base case appeared more likely, pointing to a gradual recovery in fundraising to between $100 billion and $130 billion. Toward the end of 2025, signs of renewed fundraising momentum had already emerged alongside improving liquidity, with major firms returning to the market, most notably Andreessen Horowitz, which was reportedly raising a $10 billion fund focused on AI and defense technology.

Midyear update: Outlook is tracking as expected.

Fundraising activity in 2026 is expected to outpace 2025 and realize its projected gradual increase. $62.4 billion has been raised across 288 funds YTD, compared with the $70.3 billion total for all of 2025.

Despite strong headline figures, fundraising has become increasingly concentrated. Funds greater than $1 billion have accounted for 71.9% of total capital raised YTD, a significant increase from 34.2% in 2025 and 49% in 2024. Activity is being driven by a small group of megafunds managed by marquee firms. Some notable examples that have closed YTD include Thrive Capital's $10 billion Thrive X, which allocated $1 billion to early-stage investments and $9 billion to growth-stage investments; Sequoia Capital's approximately $7 billion late-stage expansion fund targeting AI; Andreessen Horowitz's $6.75 billion growth fund, one of several vehicles in a broader $15 billion-plus venture raise;[3] and Founders Fund's $6 billion Growth IV, its largest fund to date. All are large funds raised by proven investors focused on later-stage investments. AI is one of the most cited drivers of this concentration, as both GPs and LPs increasingly support managers and companies best positioned for success in the sector.

The capital requirements of frontier AI and the speed at which these companies are scaling are driving deal sizes, valuations, and fund sizes to unprecedented levels. Looking beyond the concentration at the top, the broader market environment has been defined by the same constraints: liquidity issues, distributions below historical averages, and exits concentrated in a few large transactions. These conditions have continued to fall the hardest on first-time and emerging managers, while established firms captured a record 90.9% of capital in Q1. While many of the largest managers have already raised this year, several more are expected to close in the second half, including Accel, which should keep full-year fundraising tracking toward the lower end of our $100 billion to $130 billion range. Also supporting that floor, estimated distribution yields from venture exits have risen to the long-run average of 17.9%, which is a significant improvement from the 7.4% trough in 2023. As introduced in our original outlook, the link between prior-year distributions and subsequent fundraising is a positive early indicator, though its effect on commitments will lag.

Much now depends on the wave of unprecedented mega-IPOs led by SpaceX, with OpenAI and Anthropic having filed and expected to follow. While the capital they generate will not be immediately recycled into venture, their reception will act as a critical benchmark, validating or undermining the valuations underpinning the market's concentrated top. A strong showing would reaffirm LP conviction and gradually broaden appetite; a weak or delayed one would keep recovery narrow and activity subdued well into 2027.

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1: "Solo Founding Is at an All-Time High: Top Performers Have These Traits in Common," Stripe, Jesse Carey, May 28, 2026.

2: "Hiive50 Index," Hiive, n.d., accessed May 1, 2026.

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Additional research:

Q1 2026 PitchBook-NVCA Venture Monitor

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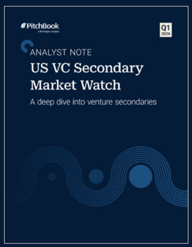

Q1 2026 US VC Secondary Market Watch

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