

Institutional Research Group



Kyle Stanford, CAIA
Director, VC Research
kyle.stanford@pitchbook.com

pbinstitutionalresearch@pitchbook.com

Published on March 4, 2026

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Differentiating VC Returns by Series Across US Regions

How regional dynamics impact returns expectations

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

Key takeaways

- The US venture market has become increasingly concentrated in AI, large investors, and large markets, specifically the Bay Area. Annualized returns suggest this concentration into the Bay Area and New York is not at the sacrifice of returns, despite the high amount of capital invested into the markets. The Bay Area (31.2%) and New York (39.6%) deliver higher annualized returns on seed investments than any other region in the US.
- Annualized returns across different markets converge as investments move later into the venture life cycle, with several markets providing higher returns than the Bay Area and New York. The Mountain region delivers a return of 22.8% at Series C, while the Great Lakes sees 23.5% returns on Series C investments. As companies develop, more crowded markets such as the Bay Area and New York contain an abundance of opportunities that increase risk.
- 26 of the 50 largest exits of the past decade have been Bay Area-based companies. These outsized exits have compensated for the high amount of capital invested in the market. Yet, these large exits are not the only driver of market returns. The Bay Area and New York have some of the lowest company and capital loss rates on seed and Series A deals.
- The aforementioned concentration has led to almost 50% of US market AUM being located in the Bay Area. This includes \$135.8 billion in dry powder and an NAV of \$506.9 billion. As the second-largest market, New York, for comparison, holds dry powder and an NAV of \$44.3 billion and \$234 billion, respectively.



Introduction

VC investment trends are not homogeneous across the US, though they are often presented that way. Valuations in Series B deals in the Bay Area are not the same as in Seattle or even New York. Fund sizes differ, as do financing timelines and startup densities. Market returns also vary widely, and that has likely affected LP appetite for emerging markets in the current environment.

The US venture market has become increasingly concentrated over the past few years as LPs' risk aversion has led to capital pulling back from smaller, emerging markets and clustering in tech hubs, especially the Bay Area. Though other markets have expressed a desire to become the next Silicon Valley, no market has come close to the Bay Area in terms of total investment, exits, or fundraising. That includes New York, which stands as a distant second in overall size, though it also holds a considerable size advantage over the rest of the US markets. 55% of new commitments in 2025 were made to Bay Area-headquartered firms. New York received the second-highest proportion of new commitments but mustered just 9.9% of 2025 commitments.

As the market has concentrated over several years of poor fundraising, the risks of investing in a small market differ from those in large markets. Capital availability is likely to be much lower, adding further challenges for companies raising follow-on rounds. Talent may also follow capital or chase flashy companies benefiting from higher marketing budgets.

The Bay Area has been the focal point of the venture market because of its unique mix of talent, capital, and risk-taking. This has created a market that is faster-paced and more competitive than the rest of the US. Competition and capital availability drive up prices and valuations, attracting founders because of the opportunity to raise capital that is not found anywhere else in the world. It has also translated into unicorns and at least the perception that returns are generated at a much higher clip in the regions.

It is worth analyzing the return differences across these markets to see whether there is a gap in returns catalyzing the reset, or whether markets are underinvested. Our [Returns by Series dataset](#) presents US venture market returns in aggregate. The model looks at investments at seed through Series D+ and analyzes the returns of each on an annualized basis. The analysis includes returns only generated through realizations, rather than through valuation markups, which would bias return characterizations toward high-valuation markets.

Breaking the model into different markets shows a widely varied market and can point to underinvested markets, as well as uncover problematic areas that could add pressure to sustaining investment levels in certain markets.

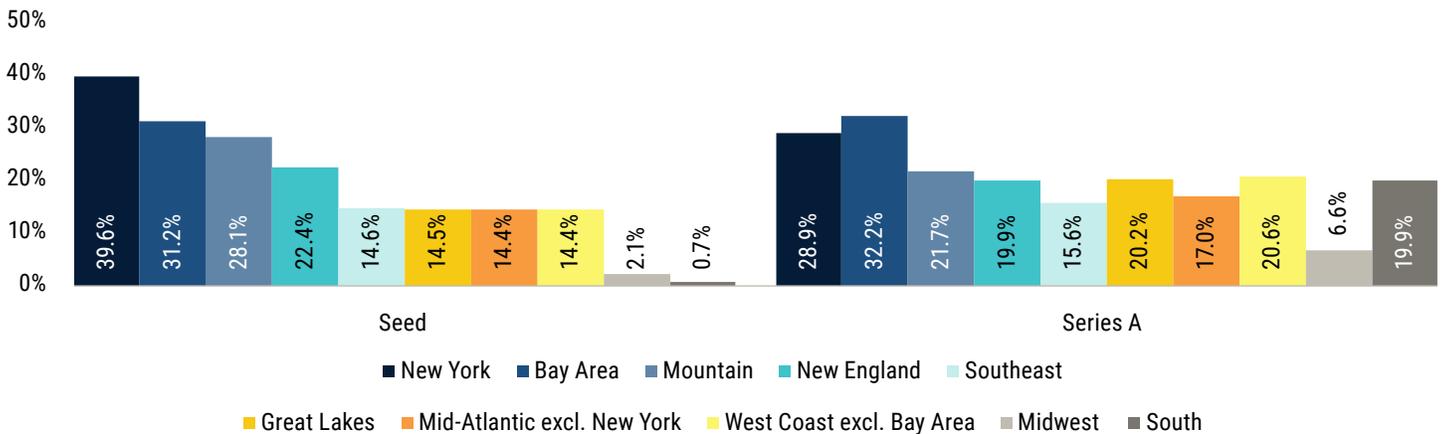


Market comparison

A simple analysis of exits over the past decade shows that the Bay Area leads all markets in value generation. During that time, the Bay Area has accounted for 24.2% of all exits in the US and 35.8% of total exit value. However, those figures do not differ widely from the deal counts or value proportions the market drives. The Bay Area has accounted for between 24.1% and 56.9% of annual deal value in the US each year of the past decade. This suggests that other markets may deliver similar or even higher returns on invested capital. Pumping capital into a market without relatively higher returns amounts to excessive risk without equally as high returns.

However, looking at annualized Returns by Series data makes a strong case for why LPs continue to put capital to work in tech hubs, particularly in the Bay Area and New York. Bay Area investments have generated 31.2% and 32.2% annualized returns at seed and Series A, respectively. New York investments have produced annualized returns of 39.6% and 28.9%, respectively. Each of those markets outperforms other regions by significant margins. The Bay Area, however, has recently taken a large lead over New York in terms of capital investment due to the AI rush.

Seed and Series A annualized returns by US region



Source: PitchBook • Geography: US • As of December 31, 2025



Annualized returns by series and US region since 2009

| Region | Seed | Series A | Series B | Series C | Series D+ |
|-----------------------------|-------|----------|----------|----------|-----------|
| Bay Area | 31.2% | 32.2% | 22.3% | 17.7% | 9.6% |
| New York | 39.6% | 28.9% | 20.1% | 12.7% | 8.0% |
| West Coast excl. Bay Area | 14.4% | 20.6% | 12.0% | 8.6% | 4.0% |
| Mid-Atlantic excl. New York | 14.4% | 17.0% | 15.2% | 15.6% | 15.6% |
| Midwest | 2.1% | 6.6% | 7.9% | 1.0% | -2.7% |
| Mountain | 28.1% | 21.7% | 16.9% | 22.8% | 15.9% |
| Great Lakes | 14.5% | 20.2% | 18.7% | 23.5% | 19.0% |
| Southeast | 14.6% | 15.6% | 19.0% | 12.1% | 7.5% |
| South | 0.7% | 19.9% | 10.1% | 19.3% | 4.4% |
| New England | 22.4% | 19.9% | 16.1% | 15.7% | 9.6% |

Source: PitchBook • Geography: US • As of December 31, 2025

This may not be surprising. The ability to continually attract such a large amount of capital and talent must be predicated on strong returns.

The return differences between these markets and the rest of the US are stark. When we look outside the Bay Area, West Coast investments—largely based in LA, San Diego, and Seattle—have produced just 14.4% returns for seed investments, which is half the performance of the Bay Area. The Mid-Atlantic, excluding New York, has produced an equal 14.4% annualized seed return, again, reaching only half the rate of the major regional market.

More importantly, strong returns have been delivered by investments across all series in the Bay Area. These investments outperform the broader US at every stage, despite the higher valuations paid, converging at Series D+ rounds to near parity. This explains the wide range and density of fund sizes in the market.

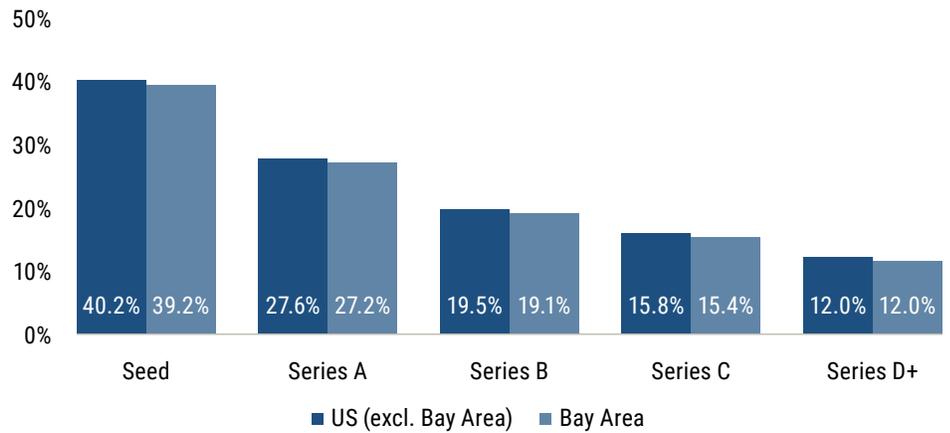
Stronger returns at seed and Series A will help concentrate capital, as access to top investments will naturally be more difficult, favoring local capital. This is especially true when megafunds continue to target seed and Series A investments. The impact that strong early returns have on capital allocation is easy to discern.

The Great Lakes region, for example, has delivered strong returns for Series A and later-stage investments, but seed returns have offered investors the lowest reward for the highest risk. In 2025, the Great Lakes' pre-seed and seed deal total fell by the highest proportion of any region in the US. With data collected through December 31, 2025, just 57% of the 2021 pre-seed/seed-stage total had been collected in 2025. The only other region to close less than 60% of the 2021 high for pre-seed/seed deals in 2025 was the Southeast, at 59.9%. In that region, Series B provided the strongest return at 19%, while seed and Series A were lower.



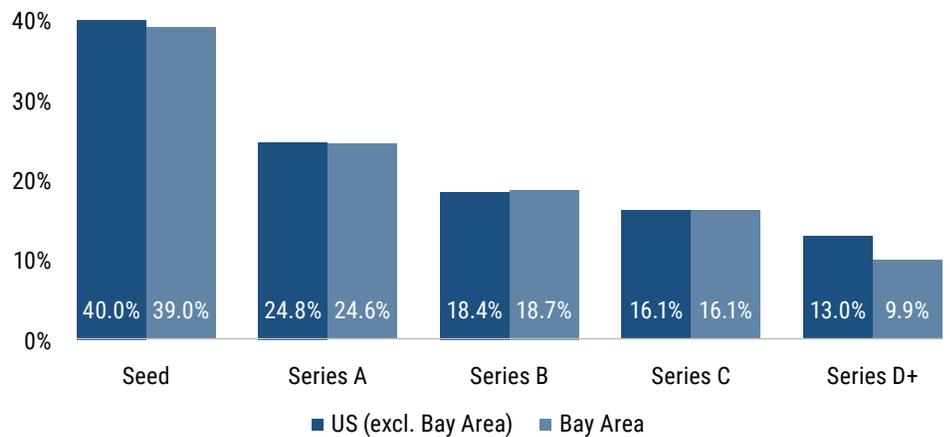
The abundance of capital in the Bay Area and New York may have an overt bias on the eventual success of companies. Together, those two markets have raised 70% of commitments over the past five years, and the failure rates of companies in the Bay Area and New York are the lowest of any region. West Coast companies raising seed outright fail at a clip of more than 50%, while in the Bay Area that falls to 37.4%. New York company failure rates are even lower, hitting just 33.9% of seed investments by company count and 33.6% of seed invested capital. Excluding New York, the Mid-Atlantic region has realized seed failure rates of 40.6% and 42.8% on those two figures, respectively.

Company count failure rates by series



Source: PitchBook • Geography: US • As of December 31, 2025

Capital loss rates by series



Source: PitchBook • Geography: US • As of December 31, 2025



Company count failure rates by series and US region

| Region | Seed | Series A | Series B | Series C | Series D+ |
|-----------------------------|-------|----------|----------|----------|-----------|
| Bay Area | 37.4% | 26.5% | 19.2% | 15.3% | 10.9% |
| New York | 33.9% | 24.1% | 15.6% | 12.1% | 8.3% |
| West Coast excl. Bay Area | 50.1% | 31.7% | 22.8% | 16.9% | 10.4% |
| Mid-Atlantic excl. New York | 40.6% | 24.6% | 14.1% | 13.7% | 9.4% |
| Midwest | N/A | N/A | N/A | N/A | N/A |
| Mountain | 38.5% | 27.5% | 21.6% | 17.9% | 12.2% |
| Great Lakes | 37.3% | 24.5% | 16.0% | 13.5% | 16.4% |
| Southeast | 42.8% | 32.5% | 21.7% | 15.7% | 18.1% |
| South | 28.4% | 29.8% | 18.6% | 16.5% | 11.0% |
| New England | 39.6% | 25.3% | 18.9% | 15.6% | 13.1% |

Source: PitchBook • Geography: US • As of December 31, 2025

Capital loss rates by series and US region

| Region | Seed | Series A | Series B | Series C | Series D+ |
|-----------------------------|-------|----------|----------|----------|-----------|
| Bay Area | 37.6% | 24.7% | 18.4% | 14.8% | 7.1% |
| New York | 33.6% | 22.4% | 21.5% | 16.6% | 11.6% |
| West Coast excl. Bay Area | 49.1% | 30.2% | 20.8% | 15.6% | 6.7% |
| Mid-Atlantic excl. New York | 42.8% | 18.3% | 11.6% | 11.8% | 8.1% |
| Midwest | N/A | N/A | N/A | N/A | N/A |
| Mountain | 38.4% | 29.5% | 22.5% | 19.1% | 16.0% |
| Great Lakes | 37.1% | 23.9% | 19.3% | 12.6% | 15.6% |
| Southeast | 43.2% | 22.9% | 20.5% | 15.5% | 10.9% |
| South | 29.8% | 29.9% | 29.0% | 25.2% | 18.9% |
| New England | 38.5% | 19.7% | 13.1% | 16.8% | 17.8% |

Source: PitchBook • Geography: US • As of December 31, 2025

Lower outright failure rates lead to higher returns on a multiple on invested capital (MOIC) basis, where both the Bay Area and New York see higher MOICs compared with other markets. The percentage of seed investments returning between 0x and 1x is 4% lower than the rest of the US, and no investment series has a higher rate of failure than the rest of the market. MOICs for Bay Area investments are also the strongest at each stage.



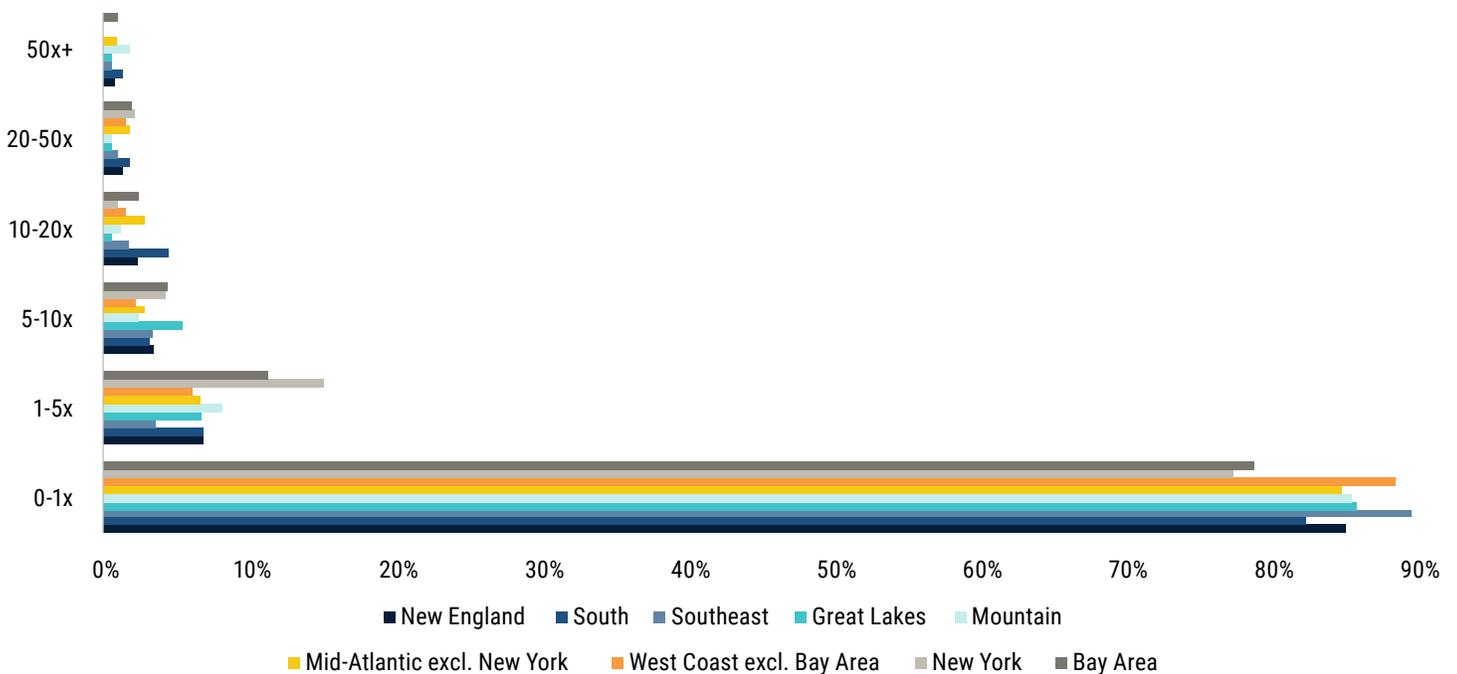
Overall, despite the enormously higher deal values of Bay Area deals, the market continues to outshine others in terms of total returns. That does not negate the ability to develop star companies anywhere, but it does portend the reasoning behind the concentration of capital with Bay Area investors.

Seed investment MOIC VC distribution by US region

| Region | 0-1x | 1-5x | 5-10x | 10-20x | 20-50x | 50x+ |
|-----------------------------|-------|-------|-------|--------|--------|------|
| Bay Area | 85.2% | 6.8% | 3.4% | 2.3% | 1.4% | 0.9% |
| New York | 82.5% | 6.8% | 3.1% | 4.5% | 1.8% | 1.3% |
| West Coast excl. Bay Area | 89.7% | 3.6% | 3.4% | 1.8% | 1.0% | 0.6% |
| Mid-Atlantic excl. New York | 85.9% | 6.7% | 5.4% | 0.7% | 0.7% | 0.7% |
| Mountain | 85.6% | 8.1% | 2.5% | 1.3% | 0.6% | 1.9% |
| Great Lakes | 84.9% | 6.6% | 2.8% | 2.8% | 1.9% | 0.9% |
| Southeast | 88.5% | 6.1% | 2.3% | 1.5% | 1.5% | N/A |
| South | 77.4% | 15.1% | 4.3% | 1.1% | 2.2% | N/A |
| New England | 78.8% | 11.3% | 4.4% | 2.5% | 2.0% | 1.0% |

Source: PitchBook • Geography: US • As of December 31, 2025

Seed MOIC VC distribution by US region



Source: PitchBook • Geography: US • As of December 31, 2025



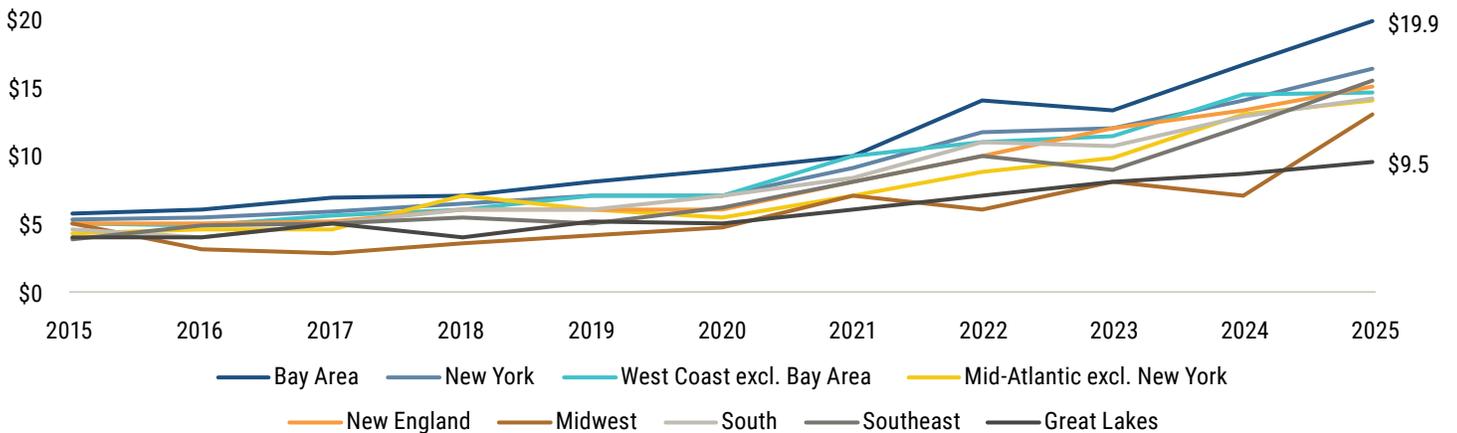
Market return drivers

Although many factors influence market returns, the most measurable are entry prices, eventual outcomes and their frequency, and the time to exit. These metrics are measurable from a historical standpoint and provide a window into future returns for a market.

The Bay Area receives its fair share of accusations of being overpriced. In 2025, median seed valuations were 34.5% higher in the Bay Area than in the rest of the US. Series A valuations were 56% higher. In 2025, much of that had to do with AI and the fast pace of development. It also reflected investor competition that the Bay Area can drive—competition that other markets cannot match.

The Bay Area has always paid a premium for company access, though a decade ago it was to a lesser degree than today. In 2015, median seed valuations in the US ranged from \$3.9 million in the Southeast to \$5.8 million in the Bay Area. In 2015, Bay Area seed valuations came at a 26% premium to the rest of the country. Not quite the 34.5% of today, but it was still a sizeable difference. However, these higher prices have not been a major drag on seed returns. One reason is that these valuations have not come at the cost of ownership. Bay Area stakes acquired have been larger than in other markets at the median. This is undoubtedly a product of the concentrated capital, which allows investors to be less price-sensitive due to large fund sizes, while keeping investment trends edging in their favor.

Median seed VC pre-money valuation (\$M) by US region



Source: PitchBook • Geography: US • As of December 31, 2025

The other major reason that high valuations have not dragged returns is that the outcomes have been large enough to make up the difference. 26 of the 50 largest US VC-backed exits of the past decade have been Bay Area companies. This includes Uber, Coinbase, and Snowflake, among many others. Those companies raised billions to make billions, but in the end, the result was a major win for the market. Within the Returns by Series dataset, 38.4% of the returns generated by seed investments for the entire US come from the Bay Area.



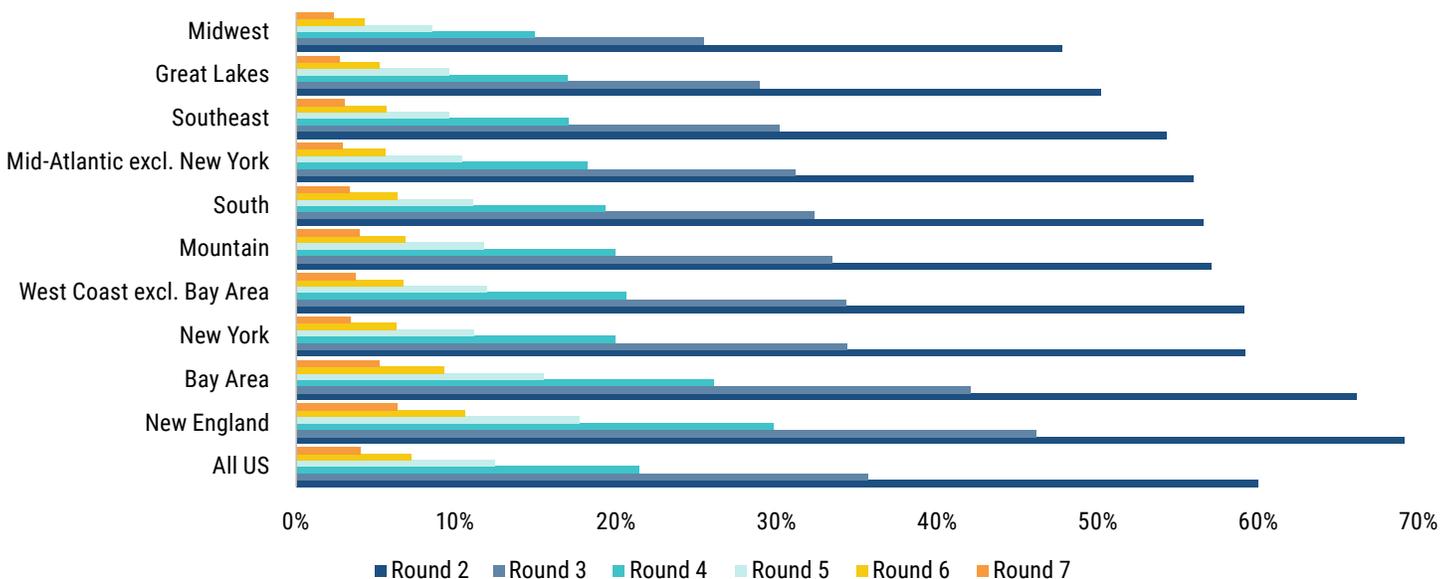
Beyond the 50 largest exits, the Bay Area's hold on total returns remains. 47.1% of the unicorns that have exited in the past decade are headquartered in the market. Those companies commanded more than \$413 billion in exit value at the time of their liquidity event, not including potential gains (or losses) after a public listing. This has been one of the more impressive feats that the Bay Area can point to in its venture market.

This data could obfuscate high losses, and higher investment sizes in the Bay Area could translate into higher loss rates. Yet, that is not the case. The Bay Area failure rates for seed investments, measured by company count and aggregate dollar invested, are both below the nationwide averages.

Materially higher failure rates in markets outside the Bay Area and New York point to a possible reason that returns are so much higher in these hub markets, and it goes back to capital availability. Capital availability plays a major role in where companies are headquartered and, more importantly, how they are able to move through the venture life cycle. As companies raise larger rounds, low-capital-availability markets can become untenable. Large-market investors may also ask, or require, companies to move their headquarters to be closer to the capital and board to help with governance, development, and growth.

At least some of the factors driving returns, such as loss rates, are being boosted by higher capital availability. Capital density allows companies to move on at a higher rate, if only by providing more opportunities to raise follow-on funding. Though this could also work negatively by increasing capital loss, it is likely that companies able to develop with more capital are able to reach a level for a viable exit, even if small. In the Bay Area, companies raise a second round of financing nearly 60% of the time. The only market with a higher portion of companies reaching a second funding round is New England, which leans more heavily into biotech & pharma companies that raise capital on different funding cycles than tech companies.

Share of total companies advancing funding rounds by US region



Source: PitchBook • Geography: US • As of December 31, 2025



Share of total companies advancing funding rounds by US region

| Region | Round 2 | Round 3 | Round 4 | Round 5 | Round 6 | Round 7 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| All US | 59.9% | 35.6% | 21.4% | 12.4% | 7.1% | 4.0% |
| Bay Area | 66.0% | 42.0% | 26.0% | 15.4% | 9.2% | 5.2% |
| New York | 59.1% | 34.3% | 19.9% | 11.1% | 6.2% | 3.4% |
| West Coast excl. Bay Area | 59.1% | 34.3% | 20.5% | 11.9% | 6.6% | 3.7% |
| Mid-Atlantic excl. New York | 55.9% | 31.1% | 18.2% | 10.3% | 5.5% | 2.9% |
| Mountain | 57.0% | 33.4% | 19.8% | 11.6% | 6.8% | 3.9% |
| South | 56.5% | 32.3% | 19.2% | 11.0% | 6.3% | 3.3% |
| Southeast | 54.1% | 30.1% | 17.0% | 9.5% | 5.7% | 3.0% |
| New England | 69.0% | 46.1% | 29.7% | 17.6% | 10.5% | 6.3% |

Source: PitchBook • Geography: US • As of December 31, 2025

Annualizing returns also puts a focus on time to exit. This is one area that the Bay Area does not lead. In fact, New York unicorns exiting in the past decade did so nearly two years quicker, with the timespan from first VC funding to exit being just 6.1 years, compared with 7.7 in the Bay Area. However, the rest of the US saw unicorn hold periods further extended, albeit only slightly, at 7.8 years.

Altogether, the factors in the Bay Area that should compress returns—high valuations, overinvestment, and lengthy times to exit—are a US venture problem, and the high exit values generated by Bay Area companies more than compensate. Current market concentration only exacerbates potential problems, and the current era of AI investment will test Bay Area returns.

The time to exit for companies has also continued to grow. In the current unicorn group, more than 45% has been held in portfolios for at least nine years. [PitchBook’s Valuations Estimates show at least one-quarter of unicorns](#) have fallen below the \$1 billion threshold. 2025 IPOs also highlighted a valuation problem in the market when 14 of the 17 US unicorns exiting via IPO did so at a lower value than they received in the private market.

This is where current market dynamics could compress Bay Area returns in the future. With seed-stage valuation premiums expanding to 34% above the rest of the US, and the sheer amount of capital being put to work in the market today, keeping future returns in line with historical figures will necessitate a similar expansion of exit value. Though, SpaceX, OpenAI, and Anthropic could alone cover total value output for any excess failure rates.



Pressures on VC allocation

Already in 2026, two firms have closed \$25 billion: Andreessen Horowitz (\$15 billion) and Thrive Capital (\$10 billion). Together, they represent 37.8% of the amount raised by all venture firms in 2025. Unsurprisingly, those investors are headquartered in the Bay Area and New York.

Even so, Andreessen and Thrive will not invest all of their capital in those markets. Thrive is considered one of the few growth-stage VC funds in the US, though it will allocate \$1 billion of its \$10 billion total to early-stage investments. Andreessen Horowitz has evolved from a software investor into a firm with dedicated sector- and stage-focused funds, investing widely across the US and managing over \$90 billion in AUM.

These two funds are part of a larger movement toward consolidation in VC that has been further driven by returns. Just 35 markets had a closed fund in 2025, and only 20 closed with more than a single vehicle. This contrasts with 70 different markets closing funds in 2022, and with 50 closing more than one.

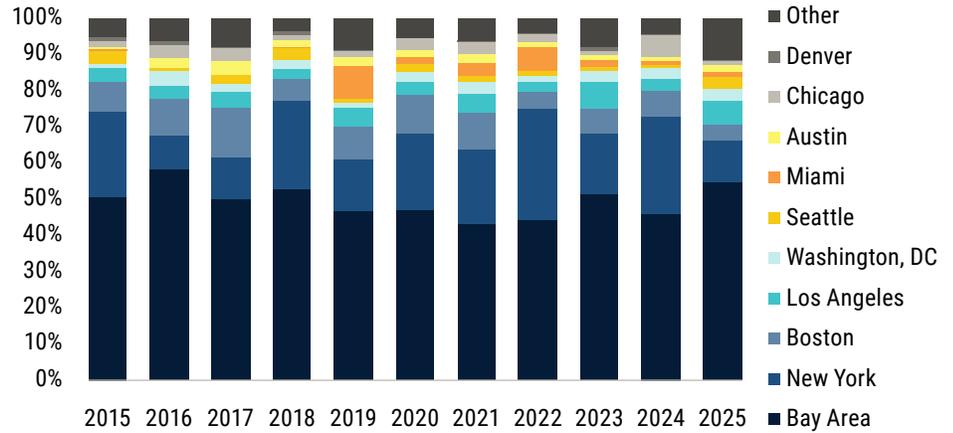
Over the past five years, more than half a trillion dollars has been invested in Bay Area VC deals. Over the past decade, the market's share of deal count in the US has fallen below 20% in just two years, 2021 and 2022. The outside force aiding this dispersal of capital was, of course, the pandemic.

This dispersal created a marginal shift in fundraising. During those years, Bay Area VC firms raised the lowest proportion of US commitments in the past decade. Miami and Austin, two of the markets driving COVID-19-era shifts, each raised the highest amount of commitments in the past decade—Miami raised nearly double the amount of new commitments it had during the rest of the decade.

Those shifts have not been met with realizations. It may be too early to determine the fate of vintage 2021 and 2022 funds, but the rapid growth of markets during ZIRP-era years worldwide—including global venture markets such as Latin America and Southeast Asia—has not been able to sustain fundraising success. In 2025, Miami raised the lowest commitment total since 2018, and Austin raised just \$0.2 million outside of 8VC's near-\$1 billion fund.



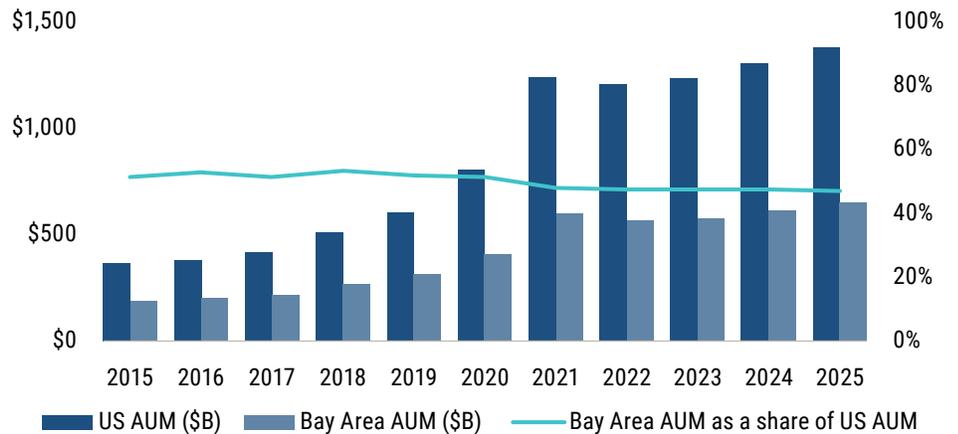
Share of VC fundraising activity by combined statistical area



Source: PitchBook • Geography: US • As of December 31, 2025

Though the aggregate commitment total to VC hubs has been relatively lower than in 2021 or 2022, the high proportion relative to other markets, as well as the rapidly increasing value of AI companies in those markets, have further increased the gap in VC. Bay Area AUM has climbed from \$237.3 billion pre-pandemic to \$642.7 billion as of June 30, 2025. That represents 46.7% of the total US AUM. Adding in New York’s \$278.3 billion AUM, those two markets account for 68.9% of US AUM, and that figure is likely to continue to grow.

Bay Area VC AUM as a share of all US VC AUM



Source: PitchBook • Geography: US • As of December 31, 2025

The prevailing narrative has been that LPs are looking to reinvest in long-standing relationships and investors with strong track records of returns. Long-standing relationships favor more developed markets with established managers. Historical returns also show a preference for those same markets.



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Nizar Tarhuni

Executive Vice President of Research and Market Intelligence

Paul Condra

Senior Director, Global Head of Private Markets Research

Kyle Stanford, CAIA

Director, VC Research

Report created by:

Kyle Stanford, CAIA

Director, VC Research

Caleb Wilkins

Data Analyst

Jenna O'Malley

Senior Graphic Designer

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