State Of Private Markets Q1 2025 Full Report

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Competition among VCs for high-end deals is one factor that's driving up pre-money valuations across the breadth of the venture landscape, even as deal counts dwindle.

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Executive summary

As we enter the second half of the 2020s, venture investors are being increasingly selective about which companies they choose to back. The bar that a startup must clear in order to successfully raise VC funding may be as high as it's ever been.

But for the startups that are able to clear this lofty bar, there's no shortage of investor interest. This competition among VCs for high-end deals is one factor that's driving up pre-money valuations across the breadth of the venture landscape, even as deal counts dwindle.

The median pre-money valuation in new seed rounds on Carta was $16 million in Q1 2025, about 18% higher than it was a year earlier. The number of seed rounds that took place, however, plunged over that same span, declining by 28%.

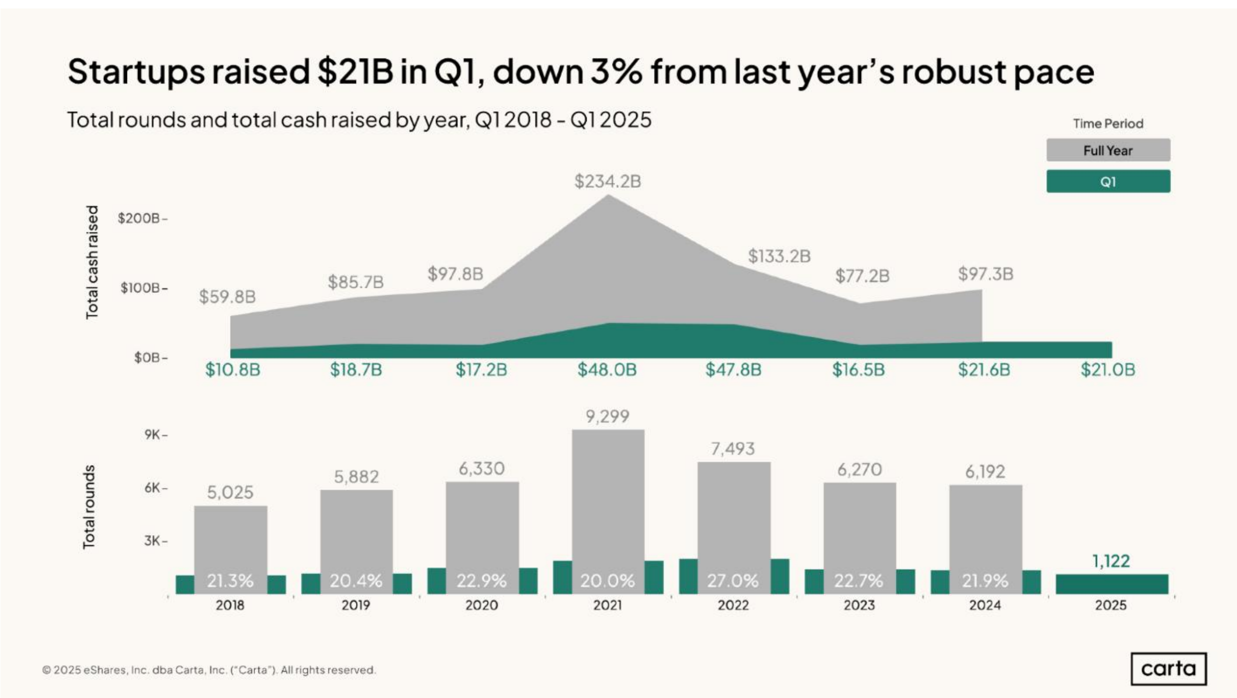
At Series A, the median pre-money valuation reached $48 million in Q1, up 9% from the year before. At the same time, the number of closed Series A rounds fell by 10%.

These trends are unfolding at almost every phase of the venture fundraising lifecycle. At each stage from seed through Series C, median valuations are higher than they were a year ago. And yet fewer deals are taking place.

Q1 highlights

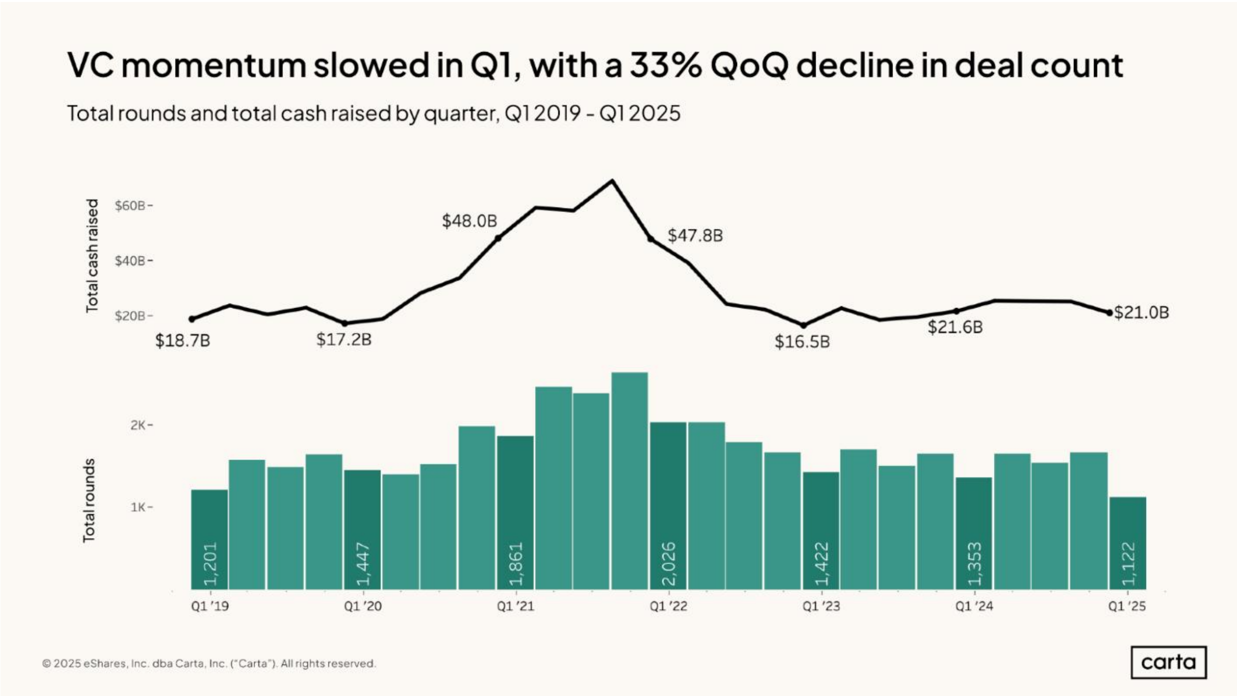
- **Lower dilution at every stage:** Median dilution in new funding rounds has declined over the past year at every stage from seed through Series D. The median Series A round in Q1, for instance, involved 17.9% dilution, down from 20.9% just a year earlier.
- **Fewer deals, fewer dollars at seed:** Startups on Carta combined to raise just 401 new seed rounds in Q1, down 28% year over year. And those seed rounds combined to bring in just $1.2 billion, a 37% year-over-year reduction.
- **Longer waits at Series B:** The median company that raised a Series B round in Q1 2025 had waited 2.8 years since their Series A, the longest median interval on record. With fewer rounds taking place, companies must make the most of their existing runway.

Key trends



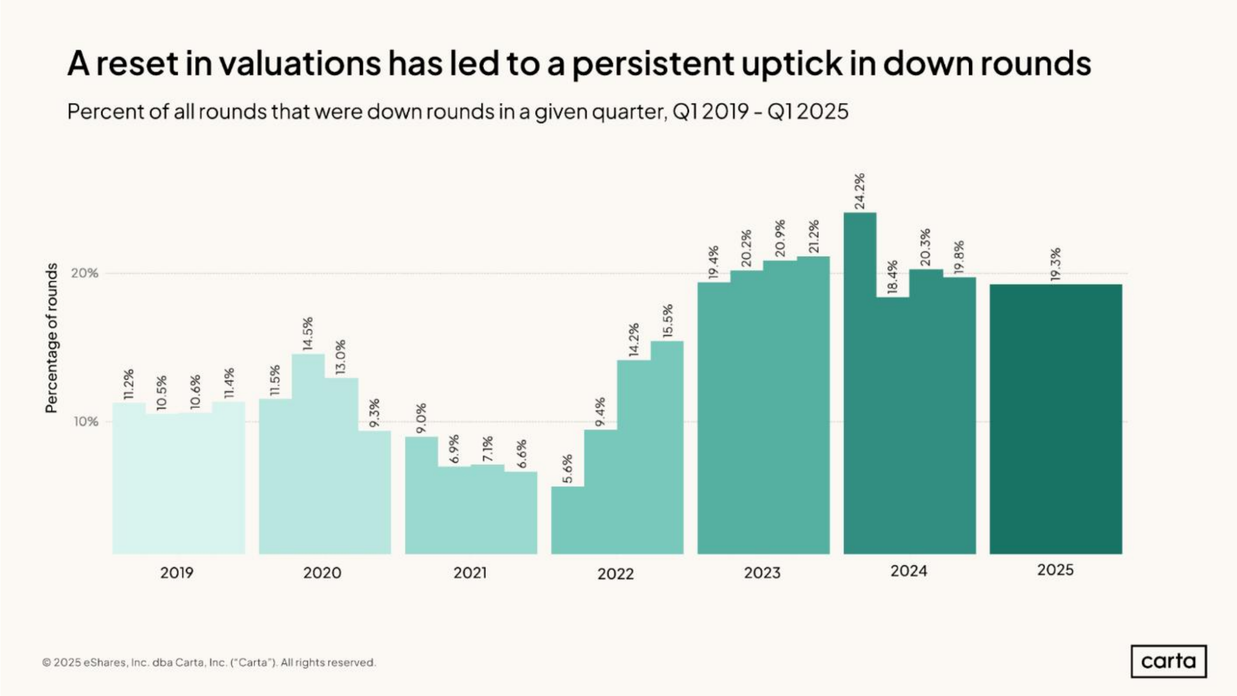
After nearing the $100 billion mark in 2024, the startup fundraising market got off to another healthy start in 2025, with $21 billion in capital raised across Q1. That's in line with the $21.6 billion sum that startups on Carta combined to raise one year ago, in Q1 2024.

Despite these relatively high dollar amounts, the rate of new investments began to slow in Q1. Startups completed just 1,122 new funding rounds between the start of January and the end of March, the lowest Q1 total since 2018.



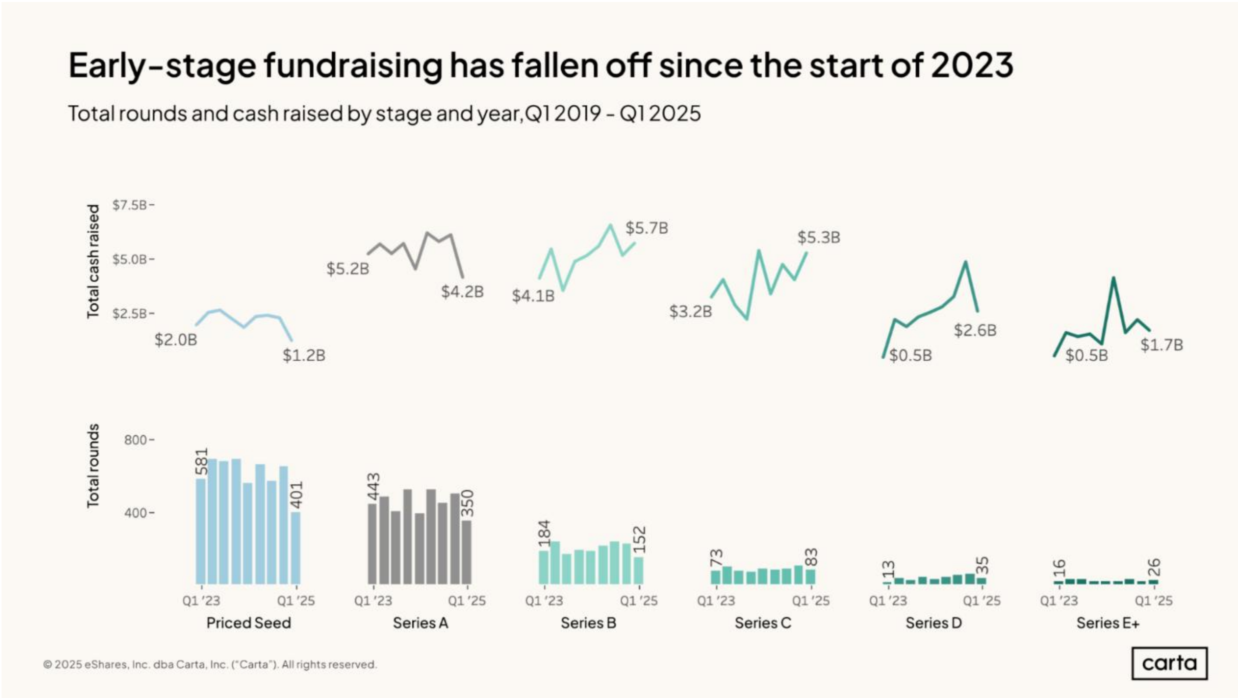
This quiet Q1 came after the venture market ended 2024 on an upward trend. In Q4, companies on Carta had combined to close 1,663 new rounds, which was the highest total in the past six quarters. Compared to this strong prior quarter, deal activity in Q1 2025 was down 33%, while capital invested was down 16%.

But this isn't entirely unexpected. As a general rule, venture activity tends to accelerate as the year goes on. In four of the past six years, Q1 has had the lowest quarterly deal count of any quarter, and Q4 has had the highest. From 2019 through 2024, the average Q4 saw 20% more deal activity than the average Q1.



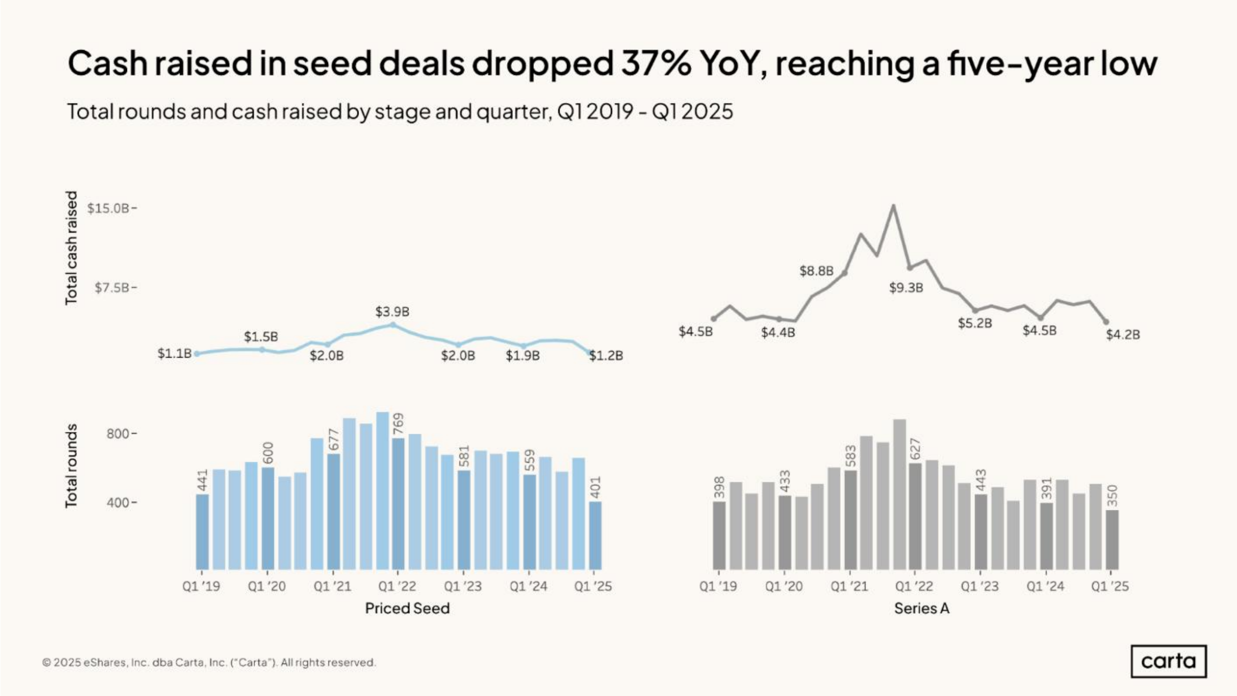
Just over 19% of all new rounds closed on Carta in Q1 2025 were down rounds, with the company receiving a lower valuation than in their previous funding round.

This is in line with the typical frequency of down rounds since the start of 2023. But it's much higher than the typical down-round rate from 2019 through 2022. This increase in the frequency of down rounds aligns neatly with the broad-based downturn in venture-backed valuations that began in mid-2022. As companies who last raised cash in the record-breaking boom of 2021 and early 2022 return to the market, many have been forced to accept lower valuations.



Compared to Q1 2023, total cash raised at the seed stage was 40% lower in Q1 2025, while quarterly deal count fell by 31%. At Series A, the trends are similar: Total cash raised in Q1 2025 was down 19% from Q1 2023, and deal count was 21% lower than it was two years ago.

Conversely, at later stages of startup life, fundraising totals were higher in Q1 2025 than in Q1 2023—in some cases, significantly so. At Series C, for instance, total cash raised increased by 66% over that two-year span. At Series D, Q1 2023 was a nadir in the market, with investment activity falling to recent lows. Since then, cash raised is up by 420%, and deal count is up 169%.



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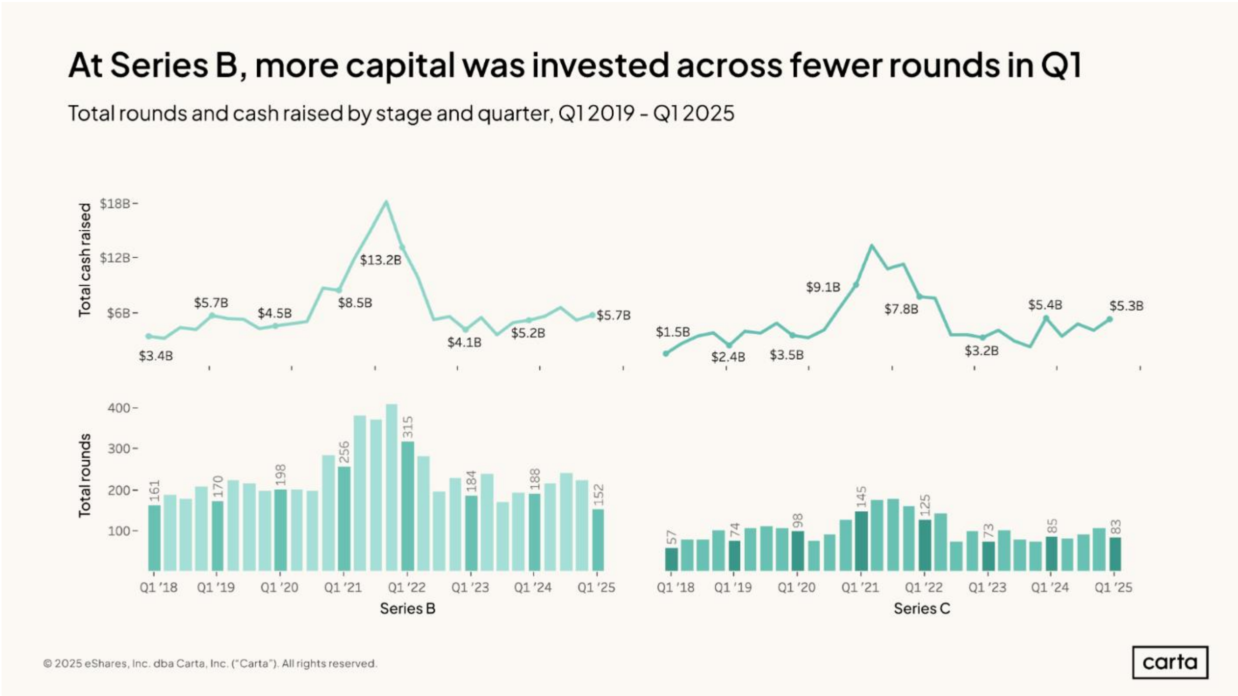
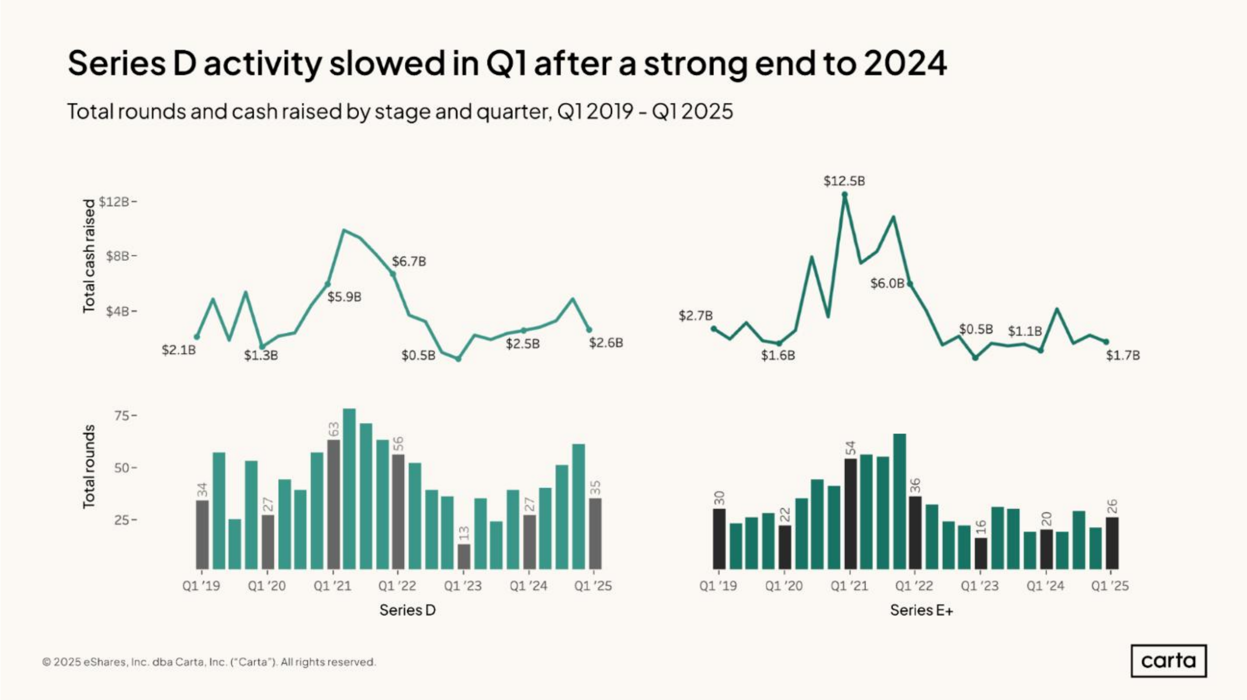
Not all Q1 fundraising data has been reported yet, but it's shaping up as the quietest quarter for early-stage venture activity since before the onset of the pandemic. At both the seed stage and Series A, cash raised and deal count declined significantly both quarter over quarter and year over year. Startups on Carta raised 401 new seed rounds and another 350 rounds at Series A during Q1. For both stages, those are the lowest quarterly figures since at least the start of 2019.

At seed, startups raised 37% less cash and closed 28% fewer rounds in Q1 2025 compared to the same time a year earlier. At Series A, cash raised was down 7% on a year-over-year basis and deal count fell by 10%.



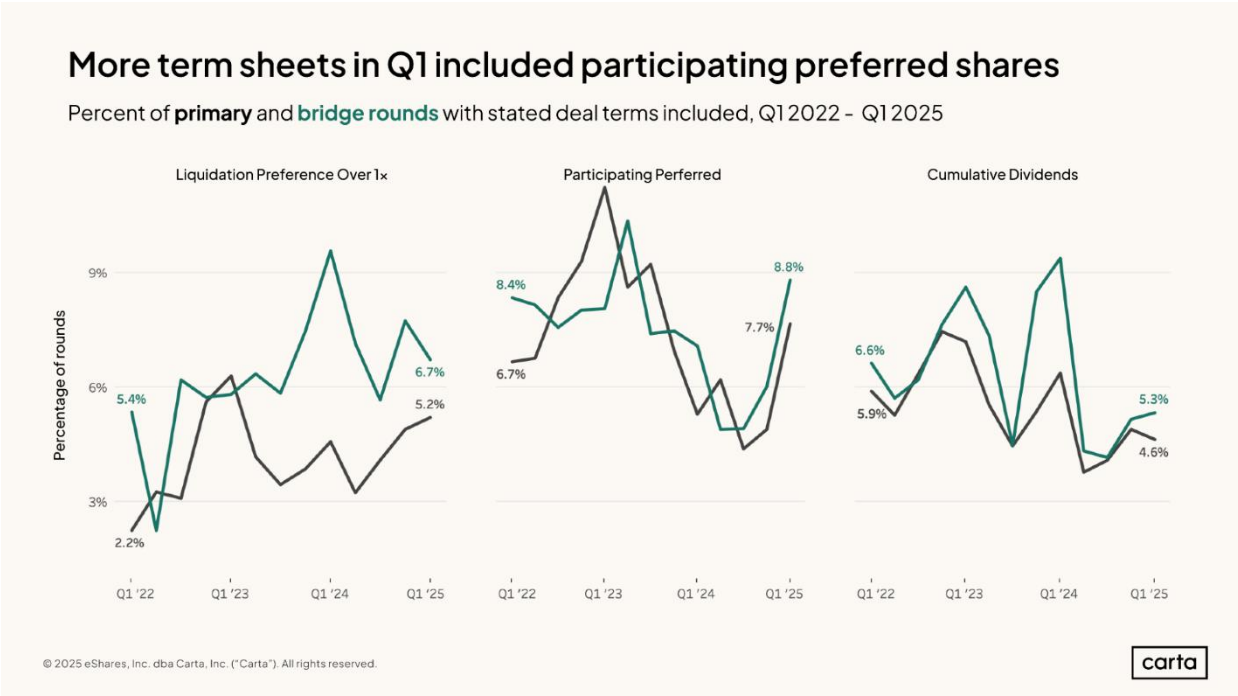
Series B startups on the Carta platform combined to raise $5.7 billion in cash during Q1 2025, an increase of nearly 10% compared to the same period a year ago. Over that same span, however, Series B deal count declined by 19%. This combination of more capital spread across fewer deals means that the average Series B round size is getting larger: It reached $37.5 million in Q1, up from $27.7 million a year earlier.

Measured by dollars, investment at the Series C stage rebounded in Q1, topping $5 billion for the first time in the past four quarters. Measured by the number of transactions, investment at Series C remains steady: Deal count has now landed somewhere between 72 and 105 for the past 10 quarters.



The Series D market surged in Q4 2024, with 61 closed rounds and nearly $4.9 billion in total capital raised. It was the busiest quarter for Series D activity since the widespread boom in venture investment that occurred across 2021 and early 2022.

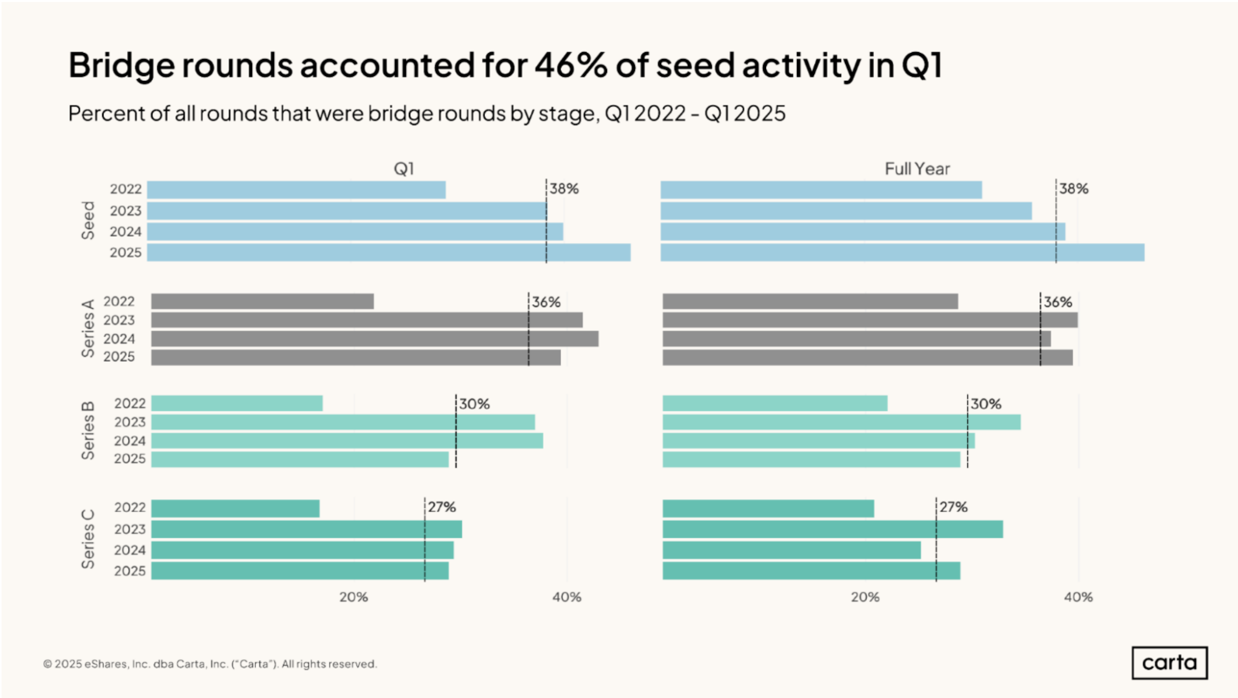
Those figures both fell off appreciably in Q1 2025, as companies on Carta closed 35 deals (down 43% quarter over quarter) and raised $2.6 billion (down 47% QoQ). Compared to a year earlier, however, the market in Q1 remained relatively active: Series D deal count was up 30% year over year, and cash raised was up 4%.



Only a small minority of venture rounds ever include deal terms such as liquidation preferences, participating preferred shares, and cumulative dividends, all of which are typically seen as ways for investors to protect themselves against downside risk if an investment goes awry.

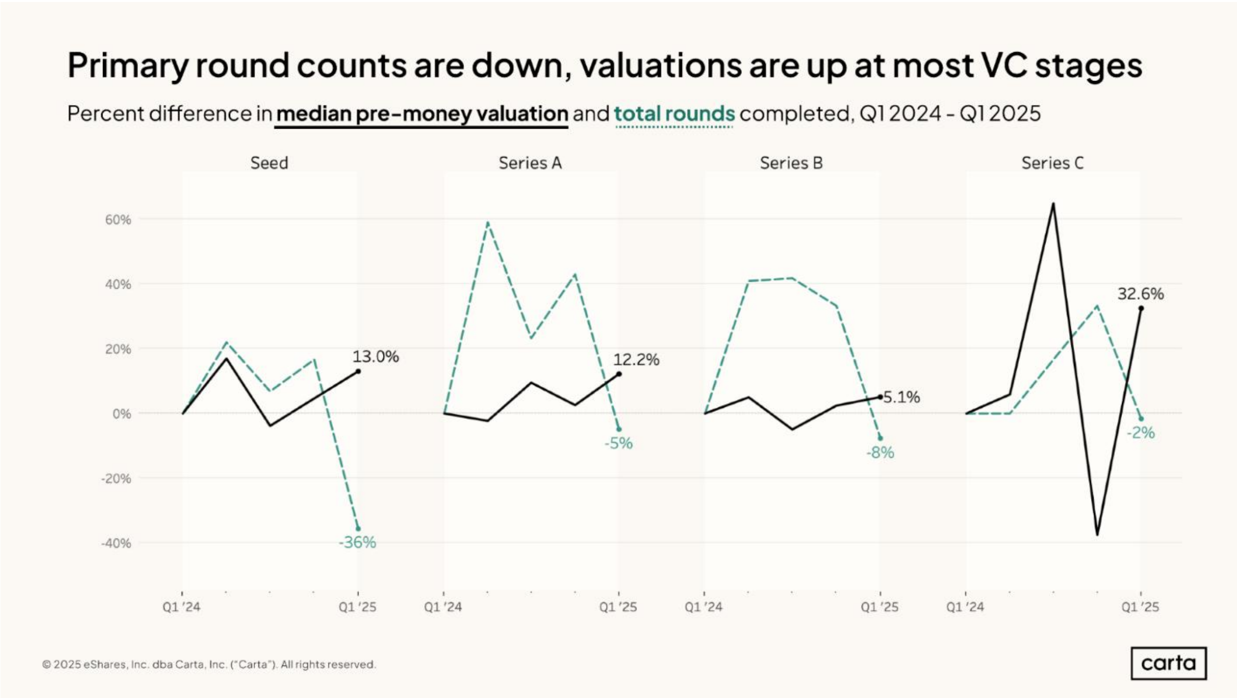
In Q1, however, the frequency of participating preferred shares saw a notable spike. Across all stages, some 7.7% of primary funding rounds and 8.8% of bridge rounds included participation, up from 6% and 4.9% the previous quarter, respectively. This reverses a recent trend: From early 2023 through the end of 2024, participating preferred shares had been growing steadily less common.

Fundraising and valuations



Bridge rounds continue to make up a larger and larger percentage of all seed-stage investment activity. In Q1 2025, about 46% of all seed deals were bridge rounds, the highest rate for any stage in recent history. For the full year 2024, bridge rounds comprised about 39% of all seed-stage activity. Back in 2022, that figure was just 31%.

Part of this spike is likely due to a crunch in the early-stage market. As we saw earlier, activity at seed and Series A boomed in 2021 and 2022, but has declined in the years since. At Series A, for instance, deal count fell by 79% between Q1 2022 and Q1 2025. With fewer investors writing new Series A checks, a growing number of seed-stage startups have turned to bridge rounds as a way to extend their runways.



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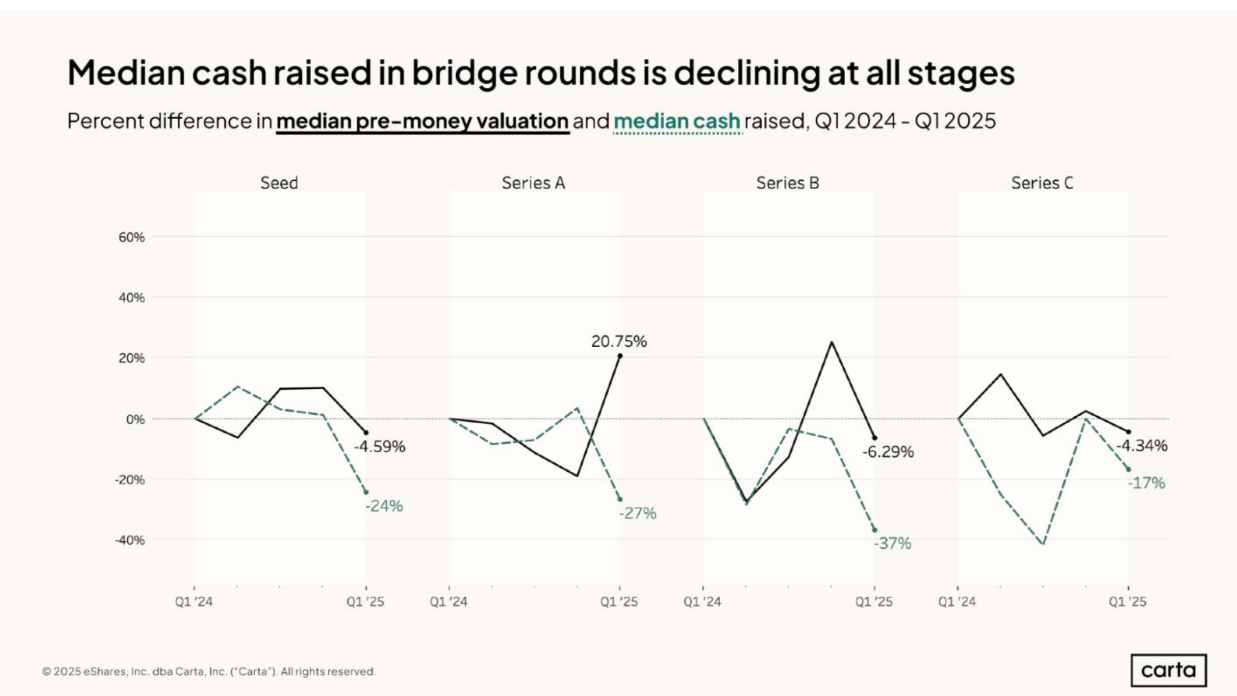
The median pre-money valuation on primary funding rounds was higher at every stage from seed through Series C in Q1 2025 compared to Q1 2024, while the number of primary rounds closed was lower year-over-year in Q1 2025 at all four stages. Investors are clearly still willing to put capital to work in the early and middle stages of the VC market, but they're choosing to concentrate that capital among a smaller population of startups.



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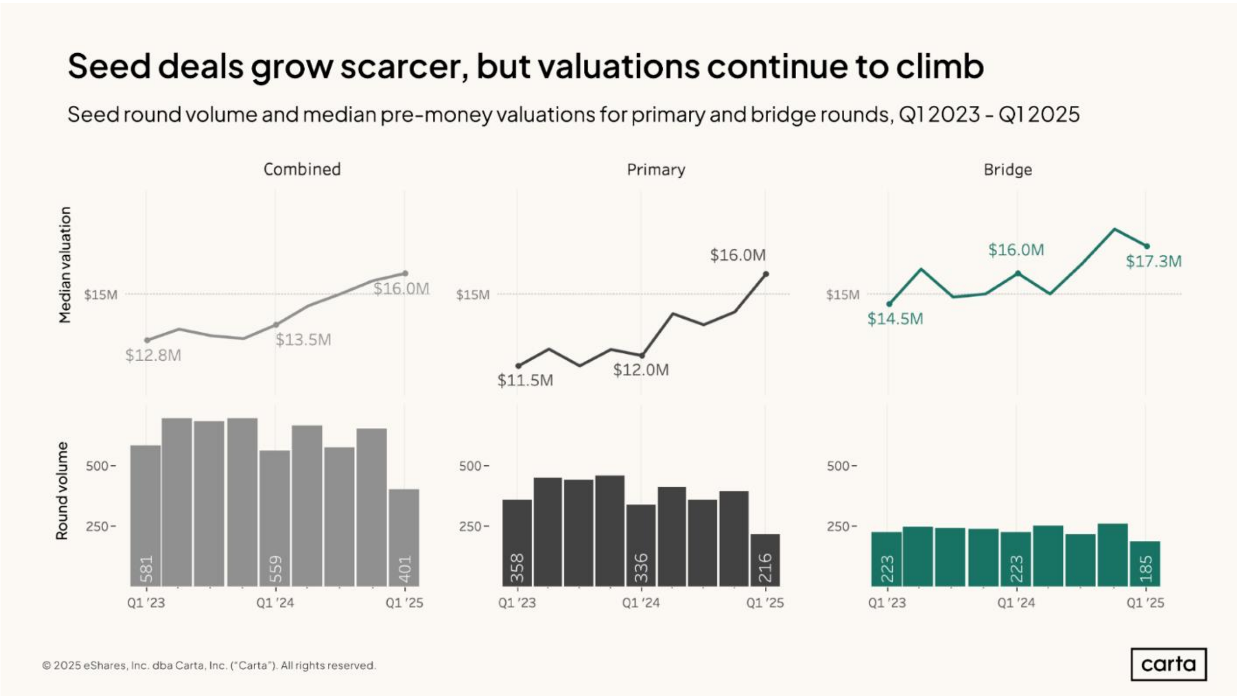
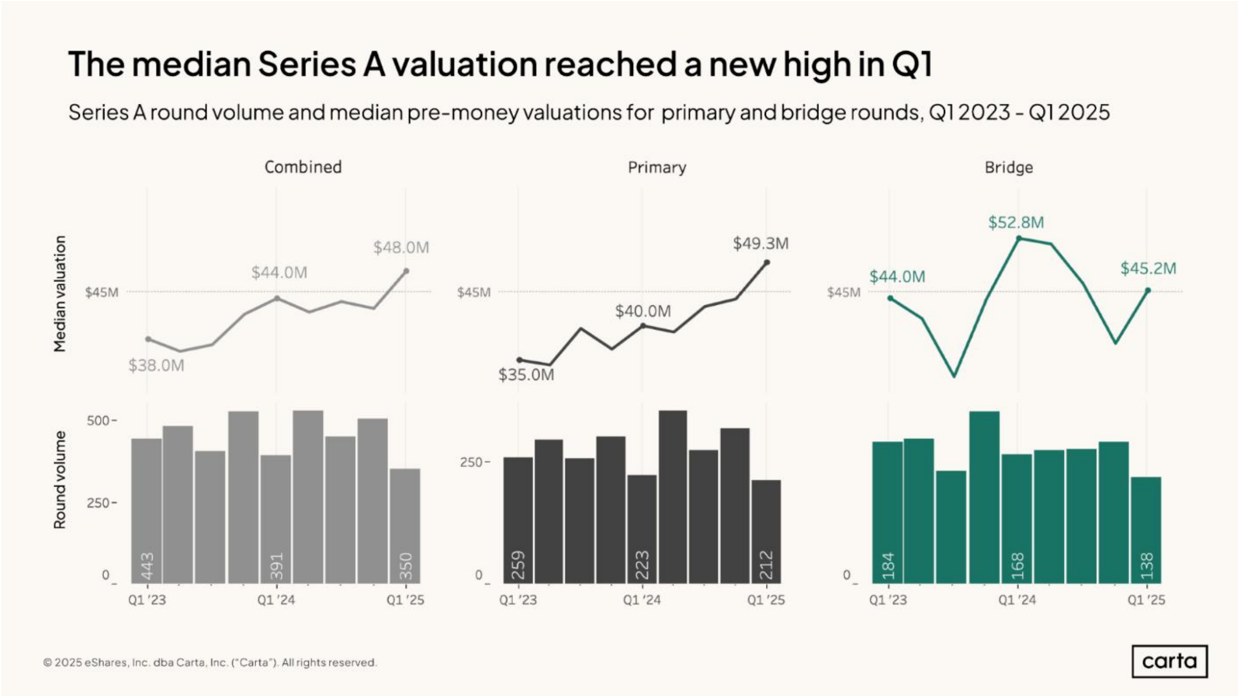
Among bridge rounds, both median pre-money valuations and median round sizes have declined over the past year at every stage of funding, with one exception: At Series A, the median pre-money valuation has risen by 20.7% relative to Q1 2024.

Bridge rounds are less common than primary rounds at every stage. In the seed market, however, the gap is continuing to narrow: About 46% of all seed-stage transactions were bridge rounds in Q1 2025, up from 40% in Q1 2024.



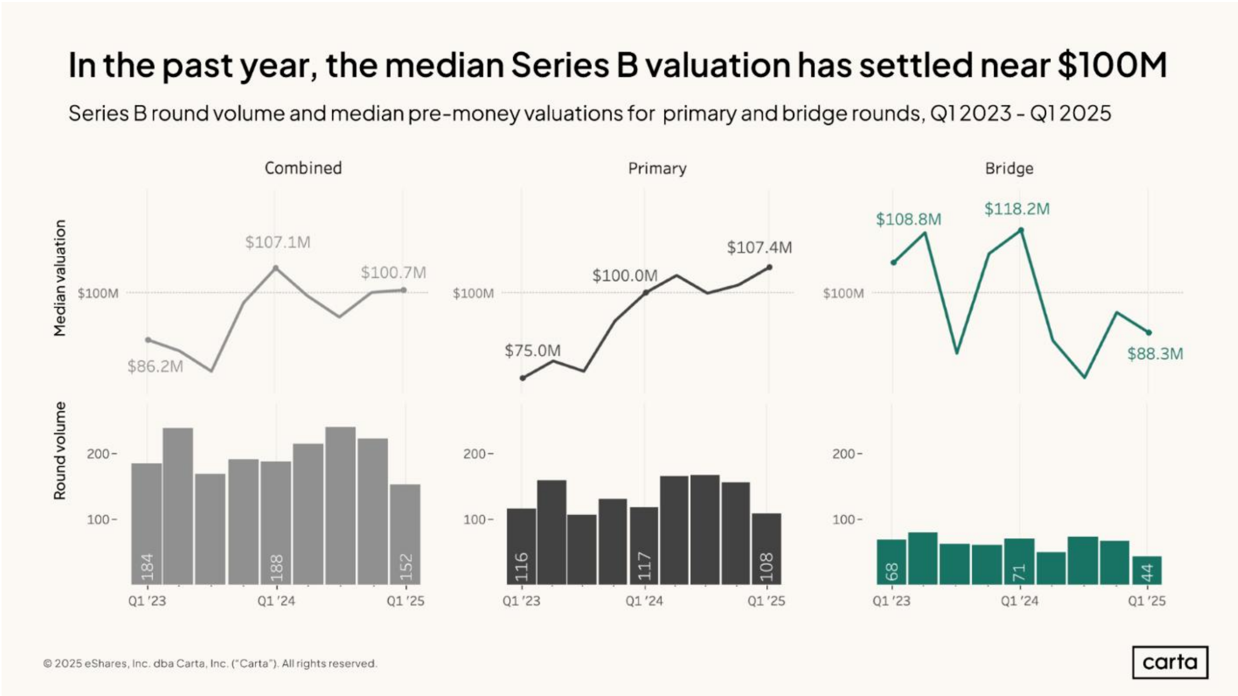
As the number of new seed rounds tumbled in Q1, the median seed valuation continued to rise, reaching a new high of $16 million. Back in Q2 2019, the median seed valuation was $8 million, meaning this figure has doubled in a little less than six years.

Valuations tend to be higher in bridge rounds raised by seed-stage startups than in new primary seed rounds. A seed-stage company raising a bridge round tends to be a little older than a newly minted seed startup, and at such an early stage of growth, that maturity correlates with slightly higher valuations. While the number of primary seed rounds was down 36% year over year in Q1, the number of bridge rounds fell by a more modest 17%.



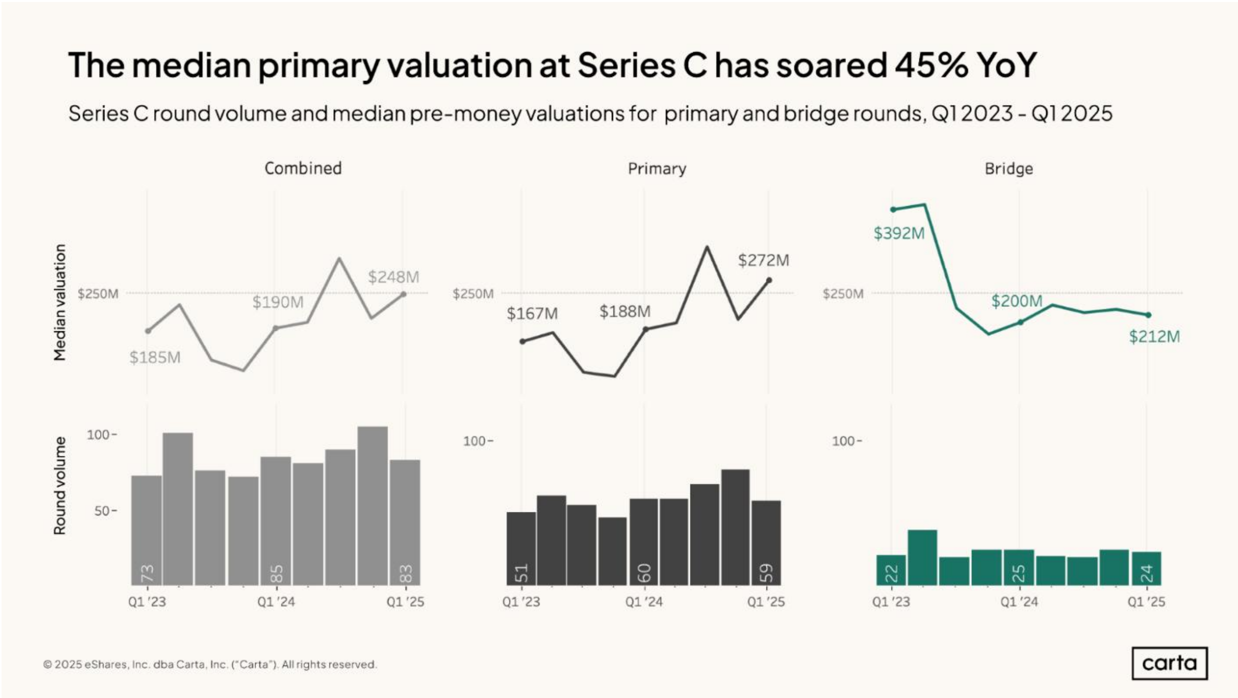
The median pre-money valuation in new Series A deals climbed to $48 million in Q1, the highest it's ever been. This was largely driven by higher valuations on primary rounds, rather than bridge rounds. Over the past two years combined, the median primary valuation at Series A has risen by 41%.

Deal counts declined across the board at Series A on both a quarterly and annual basis in Q1, as was the case at seed. The reductions in activity were a little less severe at Series A, however: Primary deal count fell off by just 5% year over year at Series A, compared to the aforementioned 36% decline at seed.



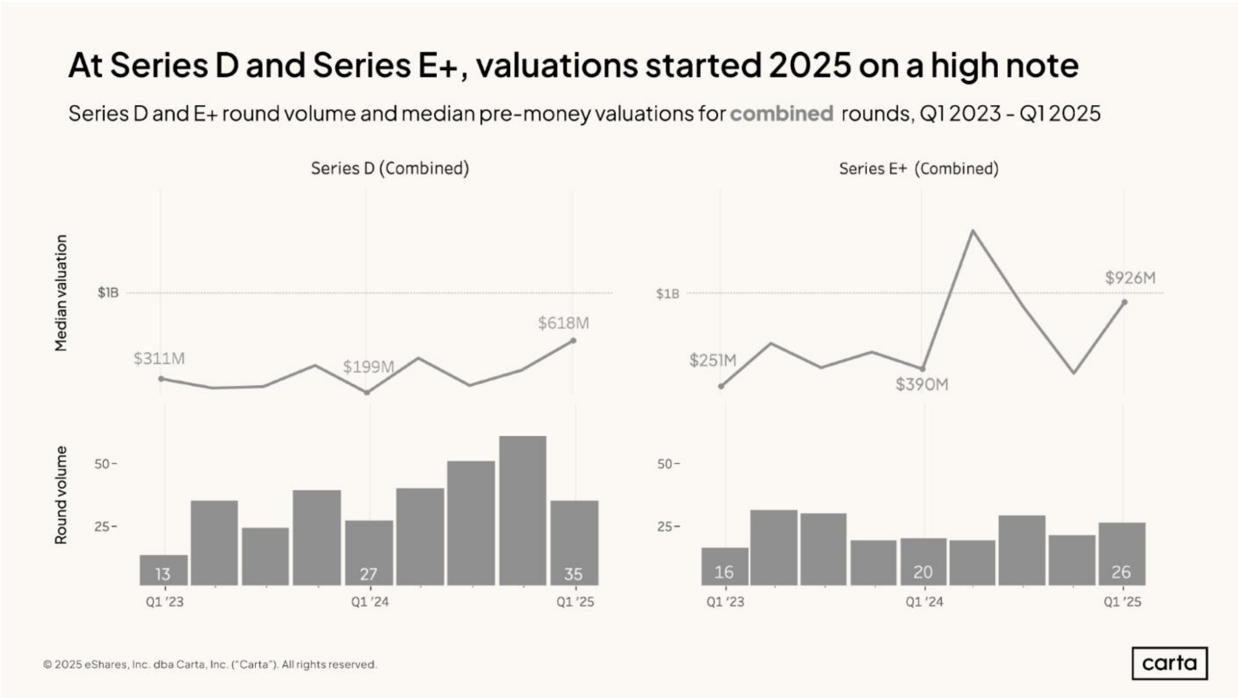
In the midst of a relatively volatile recent market for valuations, Series B has been a haven of relative stability. The median pre-money Series B valuation landed at $100.7 million in Q1 2025, down just 6% from where it was a year ago.

The number of Series B transactions has declined by a larger margin over this same span, falling by 19%. Most of this dip in activity is due to a decline in bridge rounds. The number of new bridge investments closed at Series B was down 38% in Q1, while primary round count fell by just 8%.



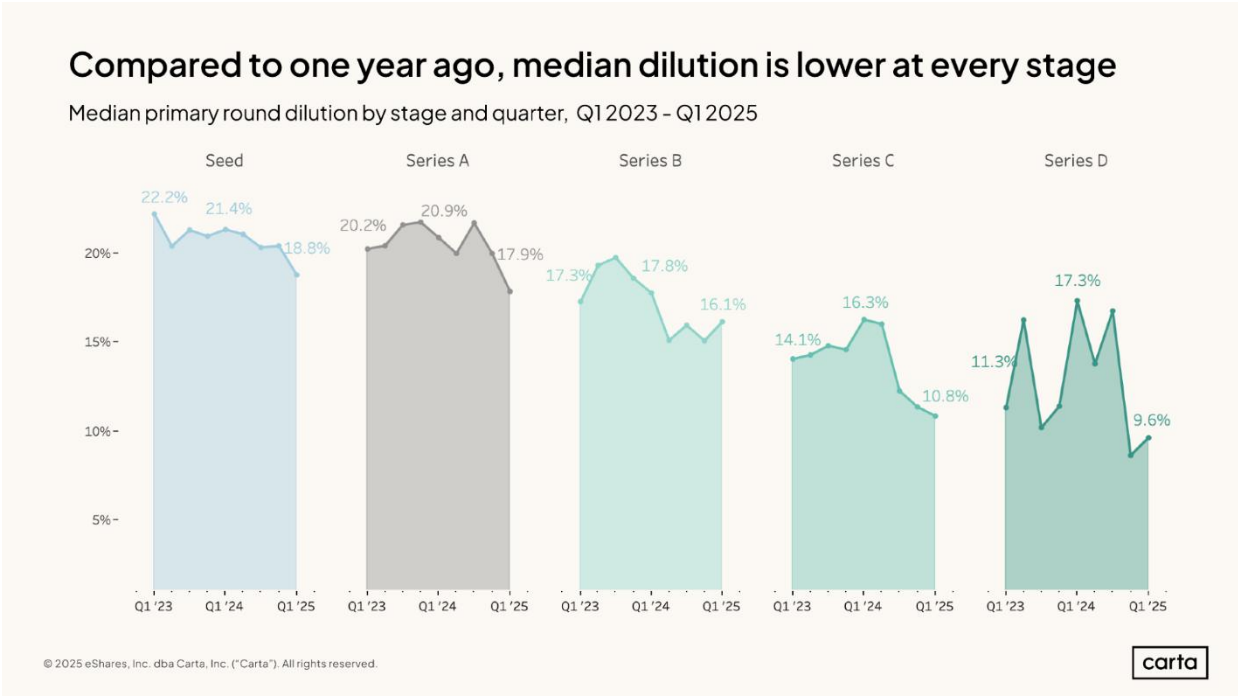
Across both primary and bridge rounds, valuations have trended up at Series C in the past year. Between Q1 2024 and Q1 2025, the median pre-money valuation rose by 47% on primary rounds and by 6% on bridge rounds, resulting in a 31% increase across all round types combined.

In terms of deal count, Series C activity is closely in line with where it was a year ago. The number of rounds ticked up steadily over the course of 2024, but that momentum reversed course in Q1.



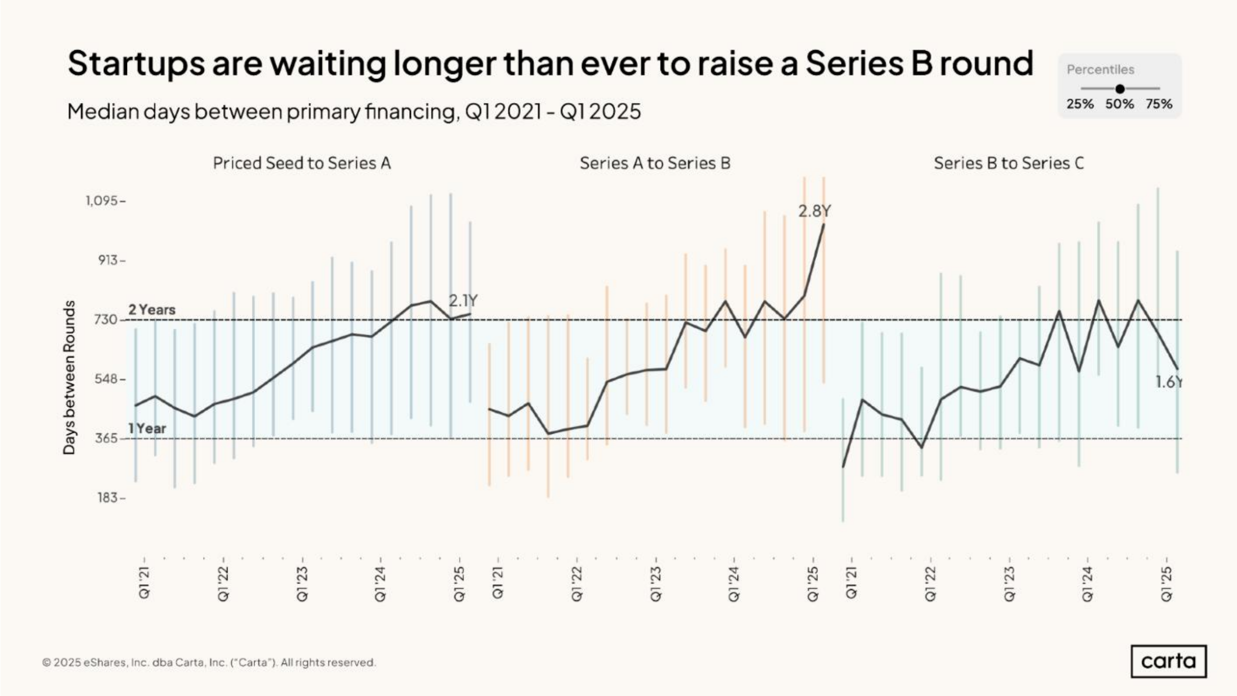
The median Series D pre-money valuation has soared in recent quarters, reaching $618 million in Q1 2025—good for a 211% year-over-year bump. That's the largest increase of any fundraising stage over the past year.

Valuations have experienced a similar degree of growth at Series E and beyond, where the median pre-money valuation rose by 138% between Q1 2024 and Q1 2025. After the broad pandemic bull run came to an end in 2022, late-stage venture valuations slumped to recent lows; in more recent quarters, the late-stage market has shown signs of recovery.



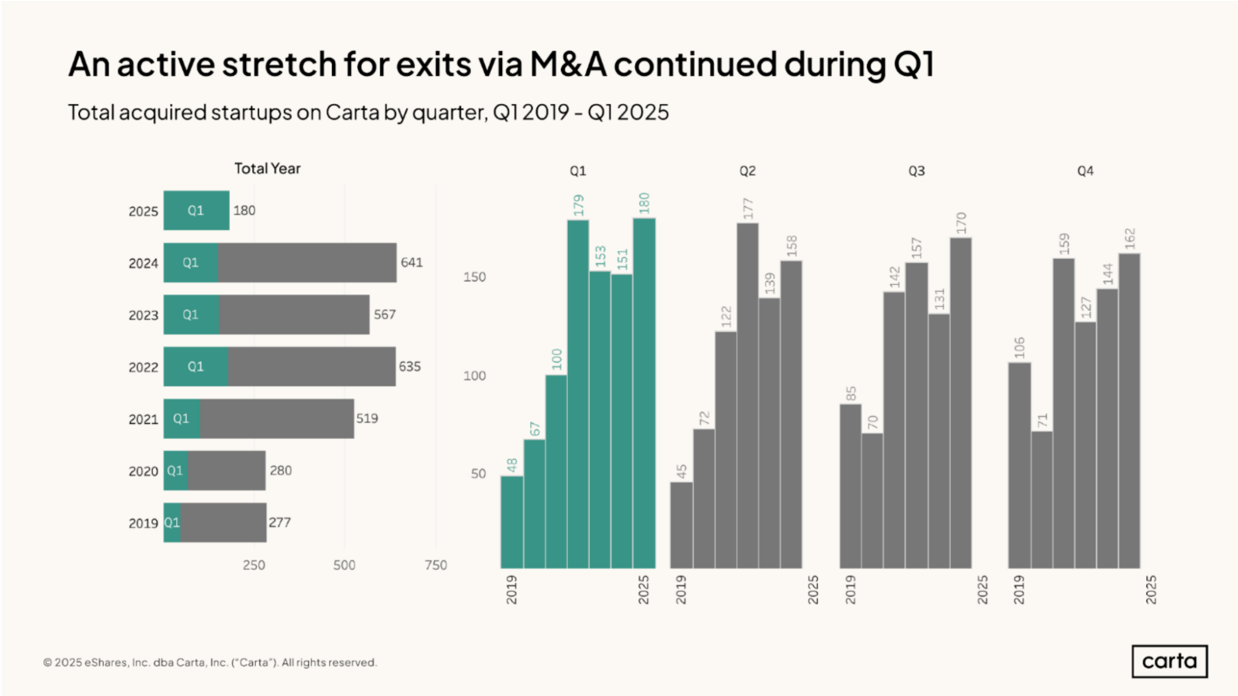
A recent trend of declining dilution across the venture landscape continued in the first quarter of 2025. At the seed stage, median dilution was 18.8% in Q1, down from 21.4% a year earlier. At Series D, median dilution nearly halved between Q1 2024 and Q1 2025, dipping below 10% in each of the past two quarters.

In general terms, the dilution in any single round can be thought of as the percentage of a company's shares that were sold off to new investors. Compared to one year ago and to two years ago, companies that raised funding in Q1 2025 were able to retain a significantly larger percentage of their equity.



Over the past several years, the median time in between primary funding rounds has been ticking up at most stages, driven by the same contraction in the market that has led to a higher percentage of bridge rounds.

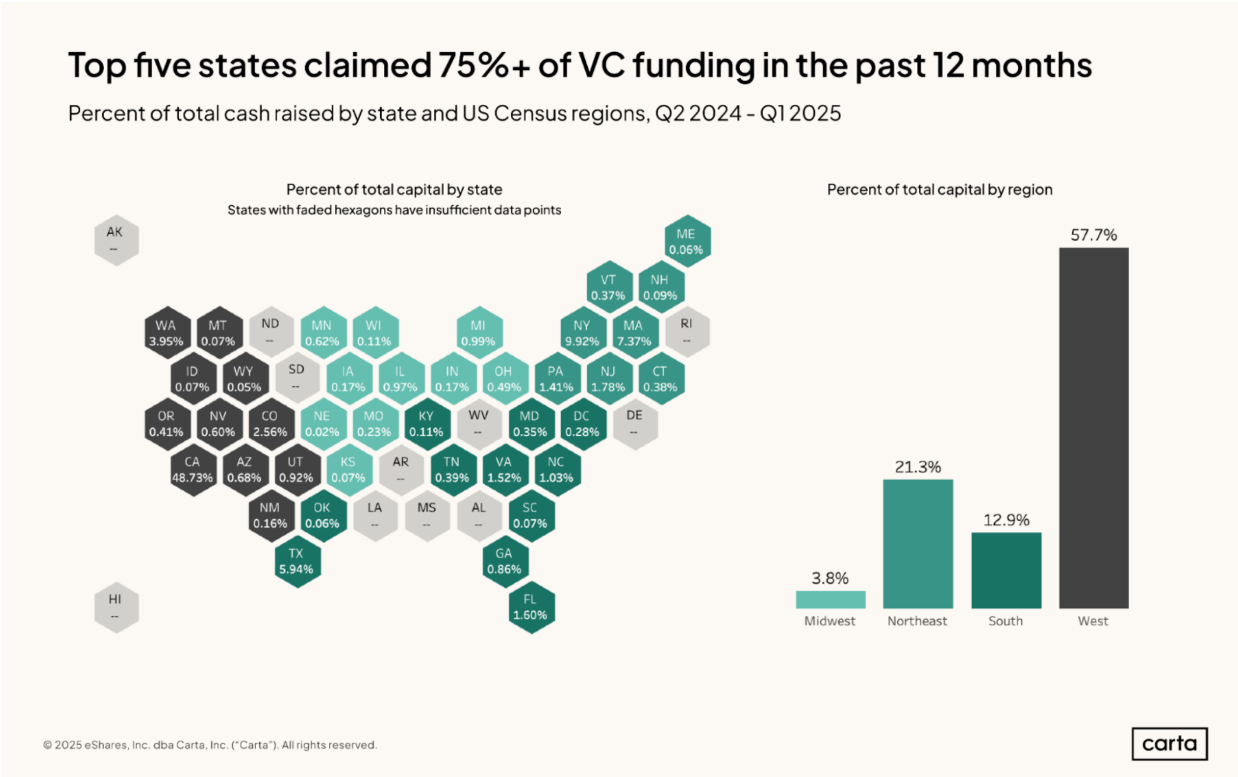
At Series B, this trend continued in Q1 2025: Startups that closed Series B rounds last quarter had waited a median of 2.8 years since their Series A round, setting a new mark for the longest median interval on record. At Series C, however, it was a different story. There, median time between rounds fell precipitously in Q1, dropping to 1.6 years. This continues a recent trend of quarter-to-quarter variance in the time between Series B and Series C, with the median bouncing between 1.6 years and 2.2 years for the past eight quarters.



Startups on Carta were the target of 180 M&A transactions during Q1 2025. That's the highest quarterly figure since the start of 2019, narrowly outpacing the 179 deals that took place in Q1 2022.

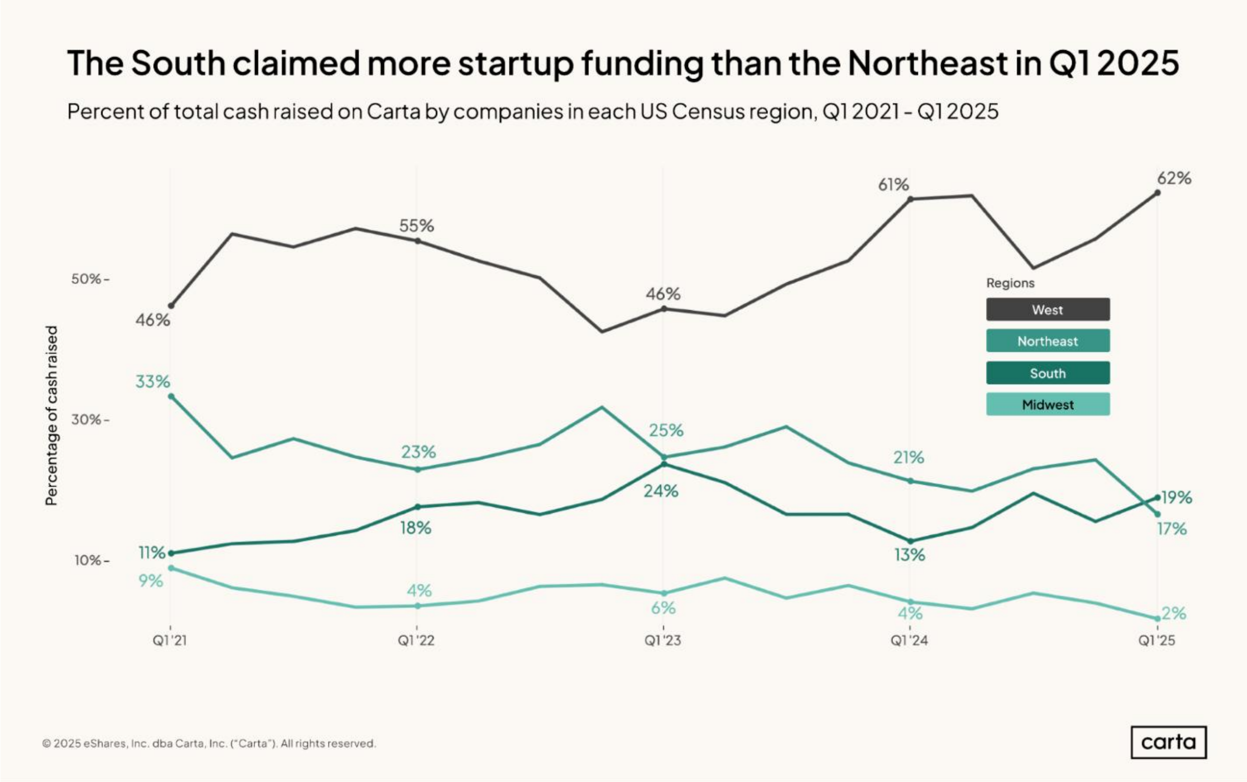
This continues an active stretch for the M&A market: Q4 2024 was the busiest fourth quarter for deal activity in recent history, and Q3 2024 was the busiest third quarter. All across the venture landscape, fund managers and their LPs are thirsty for liquidity. Given the relative quiet in the IPO market, more and more startups seem to be seeking exits via M&A.

Geographical trends



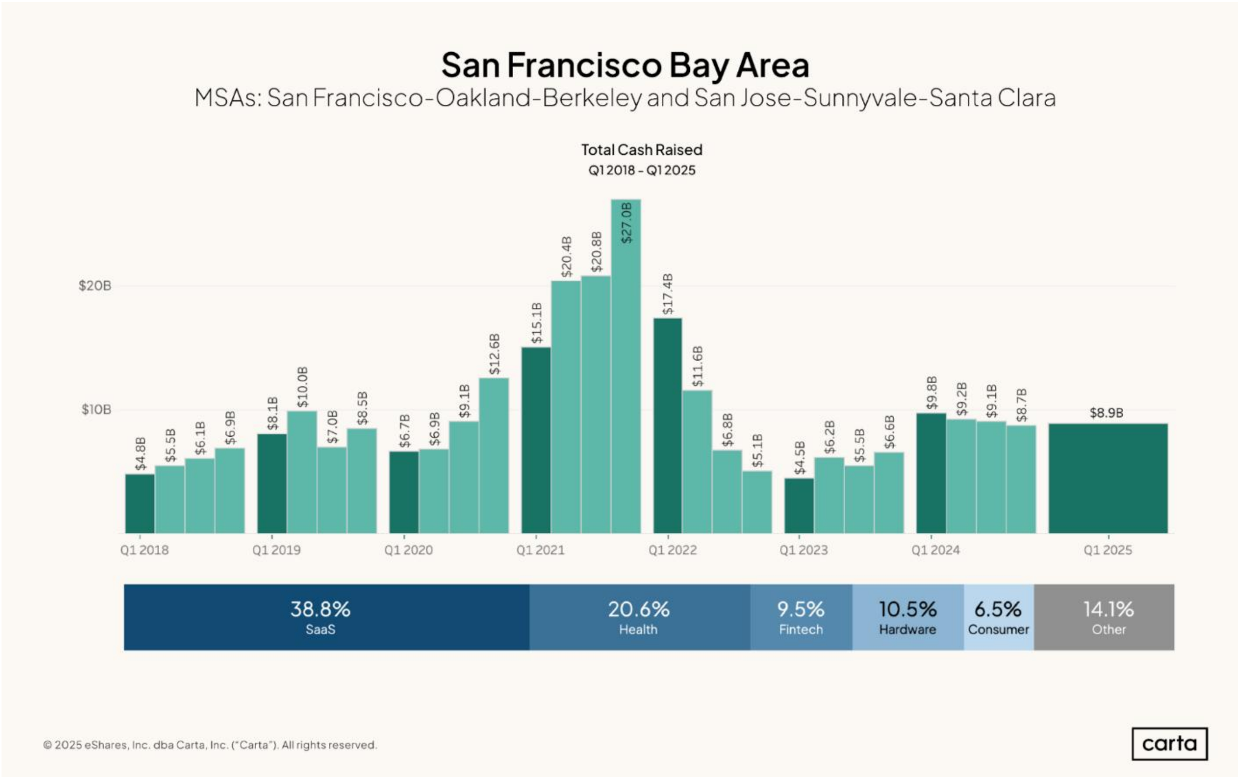
Nearly 58% of all venture capital raised in the U.S. from Q2 2024 through Q1 2025 went to startups based in the West census region, led by California, which claimed nearly 49% of all funding. New York had the second largest share of funding over the past year, at about 10%.

The percentage of funding going to startups in Massachusetts has fallen off in the past year. Startups in the state were responsible for about 7.4% of all capital raised in this span, down from 12.1% over the same period a year earlier. Texas, on the other hand, has gained ground: The Lone Star State recorded 5.9% of all VC fundraising from Q2 2024 through Q1 2025, up from 4.5% a year earlier.



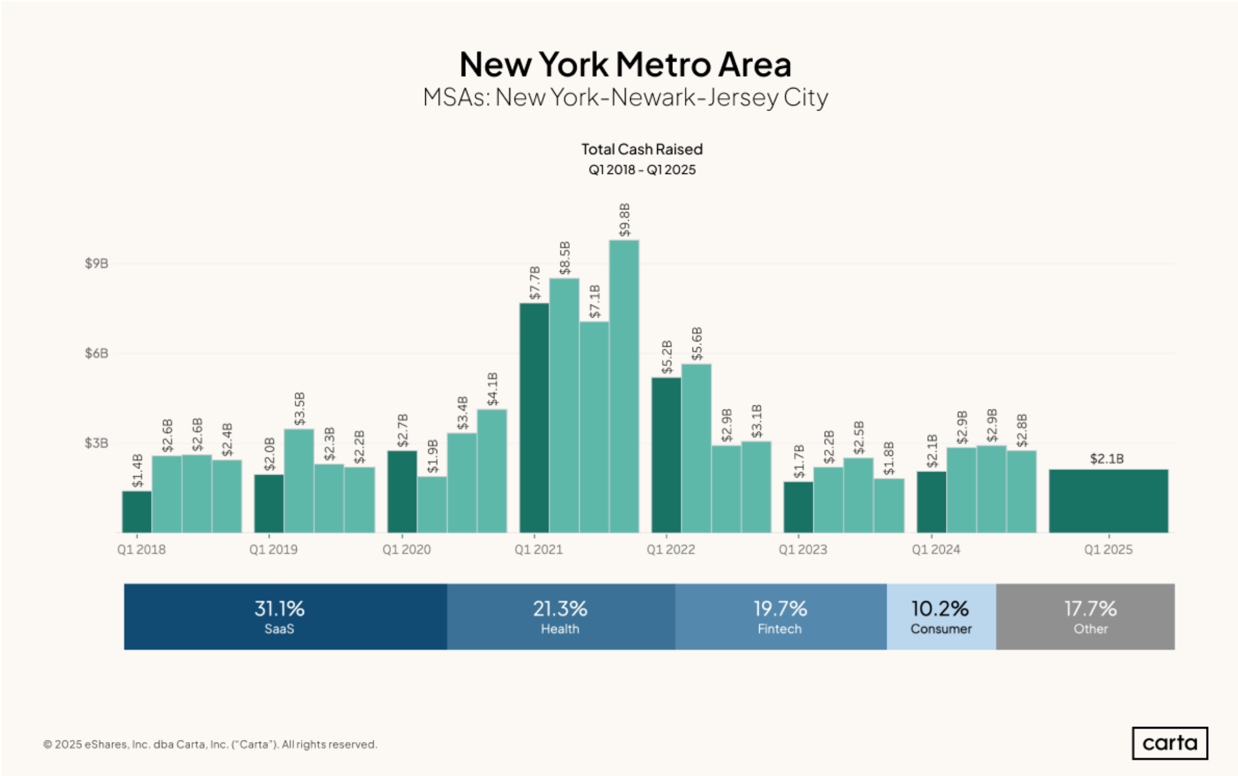
In terms of census regions, the South has gained ground in the venture fundraising market over the past year, while the Northeast has fallen off. Startups headquartered in the South raised 19% of all U.S. funding in Q1 2025, up from 13% in Q1 2024. The Northeast, meanwhile, was responsible for just 17% of Q1 2025 funding, down from 21% a year earlier.

It was also a strong start to the year out West. Startups in the West census region brought in 62% of all funding raised during the first three months of this year, the highest quarterly share of funding for any region dating back to at least the start of 2021.



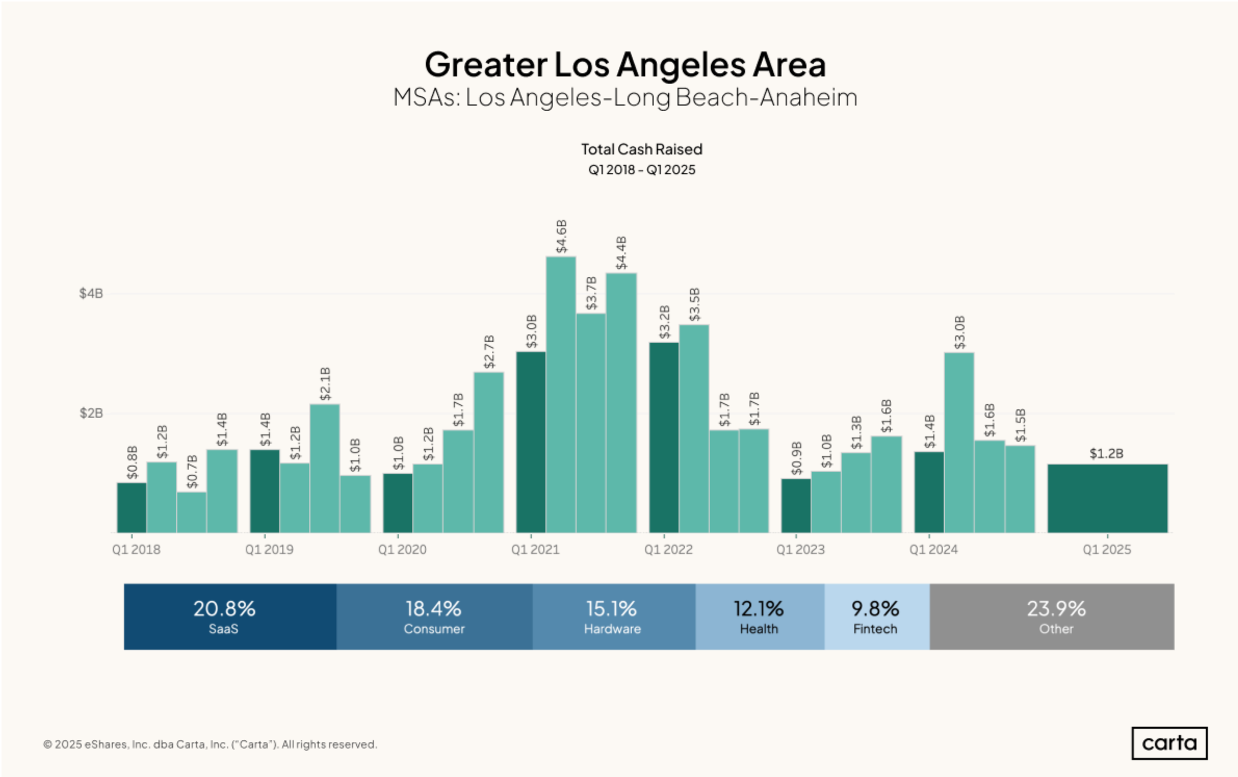
Startups in the San Francisco Bay Area combined to raise $8.9 billion in venture funding during Q1 2025. Since the start of 2024, the world's busiest startup ecosystem seems to have settled on a new equilibrium after a few years of ups and downs. Total funding has now landed somewhere between $8.7 billion and $9.8 billion for the past five quarters.

Over the past seven years, 38.8% of all capital raised in the Bay Area has gone to SaaS startups. That's a higher rate than any of the other four major metro areas included in this report.



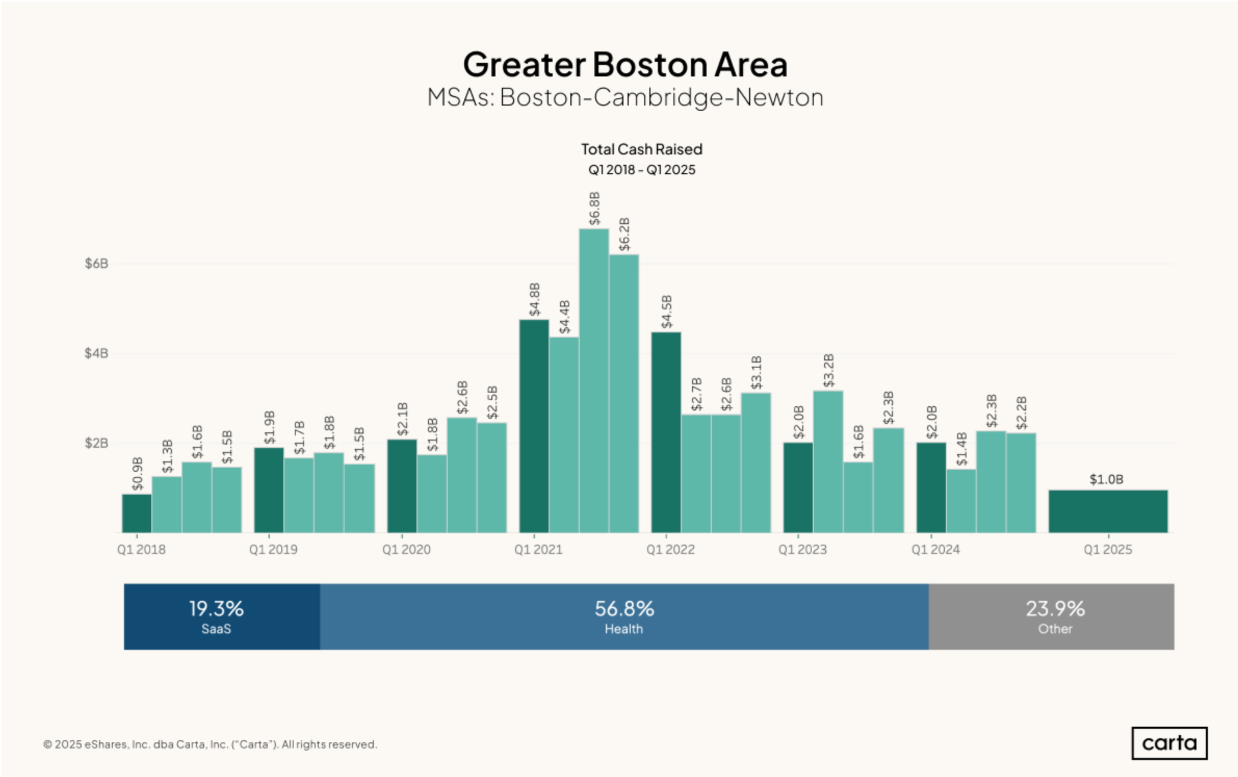
The New York metro area began the year with a $2.1 billion quarter for venture fundraising, remaining flat year over year. In New York, funding totals have fallen off more precipitously from the heights of the pandemic bull market than they have in the Bay Area. Cash raised in New York was 73% lower in Q1 2025 than it was four years ago, in Q1 2021. In the Bay Area, cash raised is down 41% over that span.

Fundraising in and around New York City is relatively evenly distributed between the SaaS, health, and fintech sectors. New York is the only metro included in this report where fintech accounts for more than 10% of capital raised.



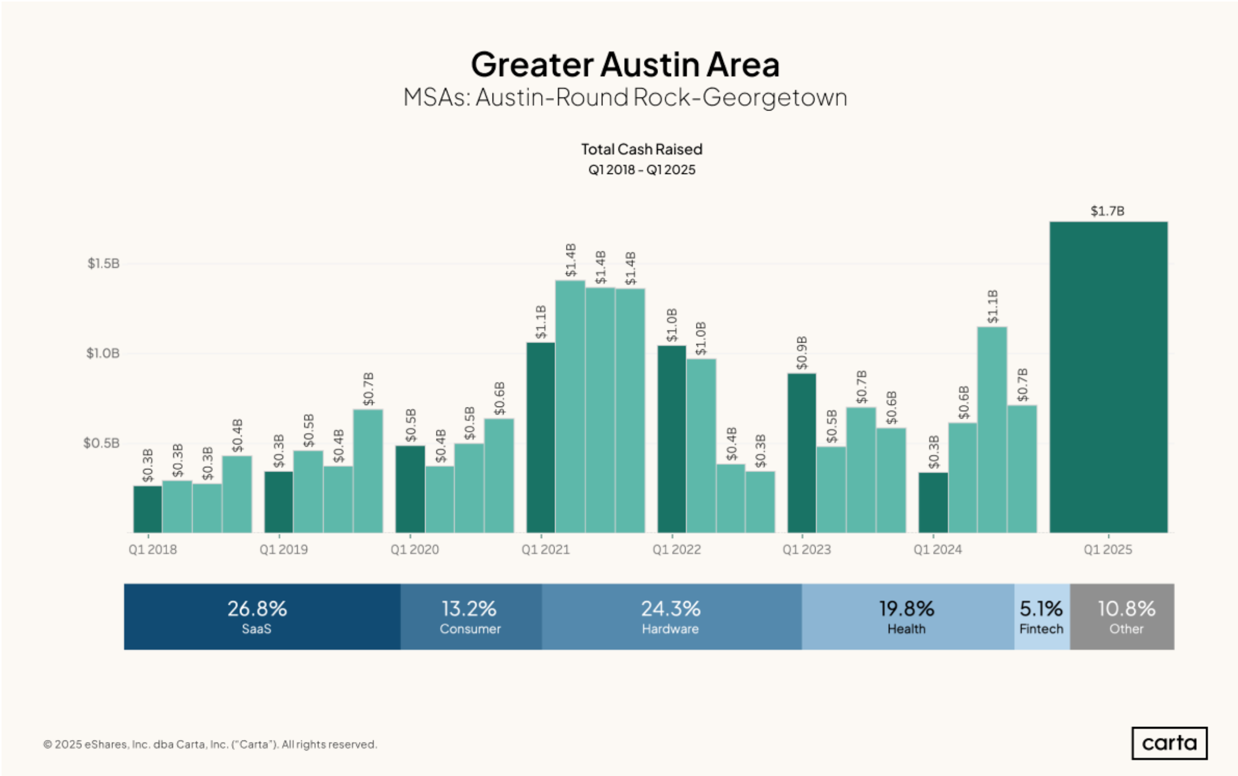
After spiking to $3 billion back in Q2 2024, total cash raised by startups in the Los Angeles metro area has now declined in three straight quarters. That includes a drop to $1.2 billion in fundraising during Q1 2025, the slowest quarter since Q2 2023.

There is no single dominant sector in the Los Angeles metro, unlike SaaS in the Bay Area or healthcare in Boston. Instead, five different sectors claim between 9.8% and 20.8% of total funding. The consumer sector has a larger presence in Los Angeles than any of the other four metros in this report, with 18.4% of activity.



With just $1 billion in total cash raised in Q1, the Boston metro area posted its slowest fundraising quarter in seven years, dating back to Q1 2018. On an annual basis, fundraising fell by 50%; quarter over quarter, it was down 55%.

Investment in and around Boston is closely tied to the health sector, which accounts for 56.8% of all capital raised in the metro area. The Health sector is split between Pharma/Biotech at 38.9%, Healthtech at 15.0%, and Medical Devices at 2.9% of the total market. In addition to this Q1 reduction in venture funding, many health-focused companies and entrepreneurs in the area are also grappling with cuts to federal funding.



The Austin metro area, meanwhile, started 2025 with its strongest quarter ever. Startups in the region combined to bring in $1.7 billion in new funding, surpassing a $1.4 billion figure from Q2 2021. Nearly 90% of this investment was concentrated in five startups. For the first time on record, startups in Austin raised more capital last quarter than startups in Boston.

Companies in SaaS, hardware, and health are the primary beneficiaries of this fundraising bump: Combined, those three sectors account for more than 70% of all capital raised in Austin.

<u>Methodology</u>

Carta helps more than 45,000 primarily venture-backed companies and 2.4 million security holders manage over $3.0 trillion in equity. We share insights from this unmatched dataset about the private markets and venture ecosystem to help founders, employees, and investors make informed decisions and understand market conditions.

<u>Overview</u>

This study uses an aggregated and anonymized sample of Carta customer data. Companies that have contractually requested that we not use their data in anonymized and aggregated studies are not included in this analysis.

The data presented in this private markets report represents a snapshot as of March 31, 2025. Historical data may change in future studies because there is typically an administrative lag between the time a transaction took place and when it is recorded in Carta. In addition, new companies signing up for Carta's services will increase historical data available for the report.

Financings

Financings include equity deals raised in USD by U.S.-based corporations. The financing "series" (e.g. Series A) is taken from the share class name in their applicable certificate or articles of incorporation. Financing rounds that don't follow this standard are not included in any data shown by series but are included in data not shown by series. Primary rounds are defined as the first equity round within a series. Bridge rounds are defined as any round raised after the first round in a given series.

In some cases, convertible notes are raised and converted at various discounted prices within a series (e.g. Series A-1, Series A-2, Series A-3). In these cases, converted securities are not included in cash raised, and only the post-money valuation of the new money is included.

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Author: Kevin Dowd

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