PRIVATE EQUITY

Private equity braces for busier 2026 as fundraising, deal flows set for rebound; secondaries to remain hot ticket item

(FREEPIK)

By **Ryan Prete**
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As the private equity industry enters 2026, leaders are forecasting a steadier pace across deals, exits and fundraising, and continued strength within the secondaries market.

The volatility that filled 2025 at the hands of high interest rates and erratic tariff policy appears to be waning; and even as the market faced these obstacles, private equity saw deal value climb for a third straight year, while secondary volume hit record highs.

With volatility softening, private equity could be primed for a strong 2026. As Blackstone titled an end of year publication: “The deal dam is breaking.”

Scott Voss, managing director at HarbourVest Partners, which has $146 billion in assets under management, said he expects 2026 to be a stronger year, especially for fundraising activity.

“The reason I think we’ll see fundraising come back is because dry powder, which was a top story for a long time, is kind of dried up,” he said.

Voss cited a metric that estimates private equity dry powder to sit at about $1.5 trillion, which he said roughly matches investment activity in 2025.

Fundraising activity has suffered a sharp drop off from the funding total highs seen in 2023 when firms collectively raised $417 billion, according to PitchBook. Through the third quarter, private equity funds had raised $214.4 billion in 244 closed funds, compared with 2024’s full-year total of $363.3 billion in 586 closed funds.

Brooks Harrington, CIO of private equity at Federated Hermes, which manages $871.2 billion in assets under management, said that fundraising activity’s strength will continue to depend on distributions.

“In order to have a positive fundraising environment, you need to have distributions. In order to have distributions, you need to have capital coming in to buy the companies, so what’s going to give?” he said.

As fundraising has faltered in recent years because of weak distributions, more private equity professionals have been spinning out new firms, a trend Harrington believes will continue in 2026.

“I think the upheavals in the industry mean that there’s going to be more people spinning out, trying to launch their own shop, trying to do deal by deal,” he said. “The ecosystem for those folks and the capital that can be provided to those folks continues to mature and get better.

And so I think that the launching of new firms from industry bets is going to continue in a pretty big way."

Federated had $19 billion in private market assets as of Sept. 30.

A clearer path ahead for deals?

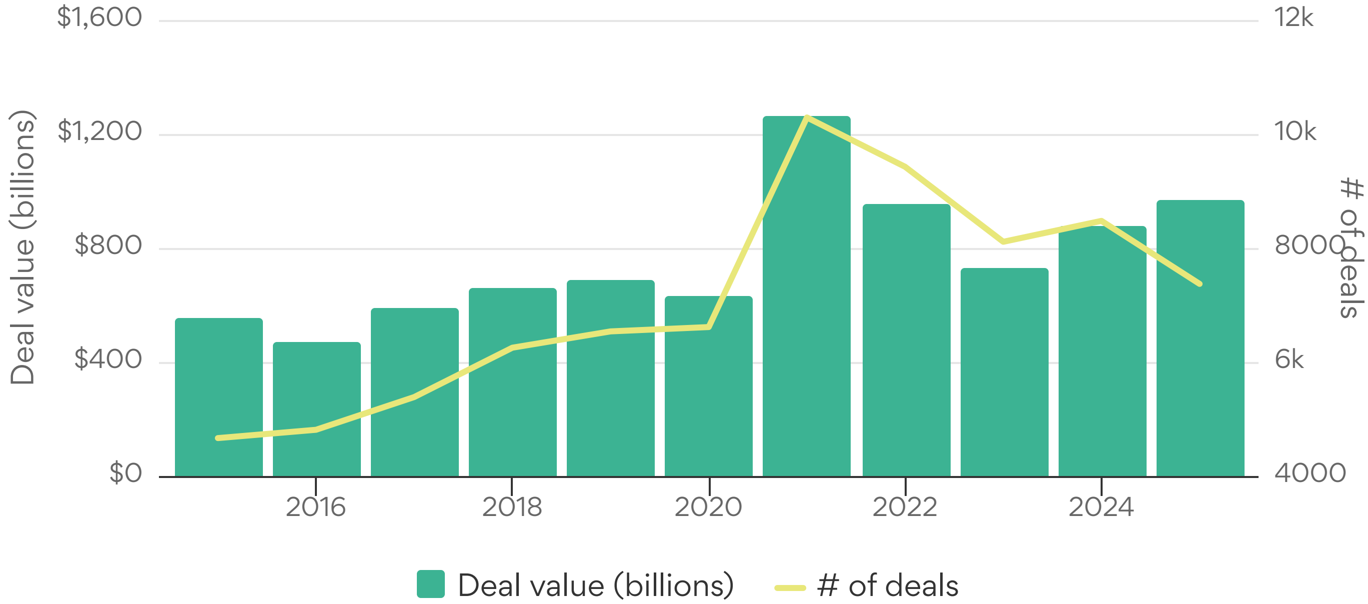
A market buoyed by interest rate cuts could also spur a rise in sponsor-to-sponsor deal volume, which Voss described as a "key competitor" to continuation vehicles.

"That trade is more likely to happen because if there's more certainty around what the world looks like going forward, then the buyer can lean in on valuation instead of being more conservative," Voss said. "And if it costs less to borrow, you can borrow more, and means you can put a better price forward in your purchase price, and you're going to convince the owner of the asset to sell it and not just recap it with the secondary market."

Voss noted that there's a "huge inventory" of private equity-backed companies that are ripe to be sold.

"I think the last number I saw was around 30,000 private equity-backed companies that have a total value of greater than $3.5 trillion, and a quarter of those companies have had hold periods that are longer than six years," Voss said.

U.S. private equity deal activity



2025 is through Oct. 31.

PitchBook

"That's a big inventory of companies that are probably at the point where they need to be either sold or at least considered to be sold. And if you can narrow that bid-ask spread between the seller and the buyer, that sponsor-to-sponsor deal will challenge the continuation vehicle, which was kind of like the only game in town for a couple of years," he said.

In 2025, deals worth more than $1 billion jumped sharply, making up over half of all completed transactions, compared with roughly one-third in 2024, according to Blackstone.

PitchBook said it tracked 7,370 U.S. private equity deals totaling nearly $1 trillion in 2025 through Oct. 31 — a third consecutive year of increased total deal value — of which platform leveraged buyouts accounted for $525 billion in deal value.

Further, the $1 trillion deal value total is the highest since 2021's nearly $1.3 trillion peak.

Richard de Silva, managing partner at private equity firm Lateral Investment Management, shared the opinion of a heightened private equity deal ecosystem in 2026, especially within the middle and lower-middle markets.

"In the lower-middle market, there was a lot of macroeconomic headwinds, Liberation Day was one set of events that slowed people down, then there were concerns of trade risk and interest rate risk," de Silva said. "I think a lot of that has dissipated, and I think we will see a ton of activity in 2026 as people have gotten used to just general turbulence in the macro market. The economy still looks to be doing well, and we have good visibility and there's a lot of money parked on the sidelines."

Private equity firm Adams Street Partners said it was "optimistic that 2026 will mark the beginning of a market-wide renaissance in deal activity."

And on the sell side, Adams Street said more assets are being driven to market as LPs continue to push for distributions and as the median holding periods for portfolio companies have reached record highs in recent years.

Even as deal activity improved in 2025, with nearly $900 billion in deal activity through the third quarter, the private equity ecosystem is largely still unsatisfied, according to Paul Pollock, a partner Crowell & Moring, a law firm focused on middle-market private equity firms.

"The industry consensus is it has to get better. And the industry's been saying that now for two years because there really has not been a lot of deal volume in the last couple of years," Pollock said. "You know, interest rates are too high, multiples have been too high. A lot of it is a hangover for the buyout frenzy that happened immediately after the pandemic."

Pollock said deal activity was especially weak for lower and middle-market firms in 2025, a trend that could see a reversal next year as interest rates continue to ease, allowing for cheaper debt financing and stronger competition.

Within the middle market, Pollock said he expects AI-enabled healthcare companies to be of interest in 2026, noting that the inclusion of AI in a company's mandate was of upmost importance to investors.

"We go to a big healthcare conference in Las Vegas every year. Two years ago, of the 15,000 people in all the booths there, maybe 20% had an AI angle. This year, it was basically 100%. So, if you didn't have an AI angle, nobody's looking at your company, nobody's investing."

Additionally, Pollock forecasted an uptick in middle-market deals within the governmental contractors space.

"Because of everything that's going on in Washington. There's a lot of consolidation going on right now, in the defense and aerospace industry," he said.

Exit momentum could fuel even bigger deals in 2026

As 2025 comes to a close, exit activity finished mostly strong, with 282 exits occurring in the third quarter, up from 250 in the second quarter, according to PitchBook.

At the same time, total exit value fell for the second straight quarter — dropping to $125.5 billion from $178.2 billion — a rare correlation that hasn't happened since the fourth quarter of 2021.

Still, Voss referred to 2025's exit performance as including "some of the greatest all-time deals," pointing to the $55 billion take-private deal of Electronic Arts by Saudi Arabia's Public Investment Fund, Silver Lake and Affinity Partners.

"There are going to be potentially massive market-defining deals in 2026. I think we could see another $50 billion-plus leverage buyout that's probably got to be a take-private," he said.

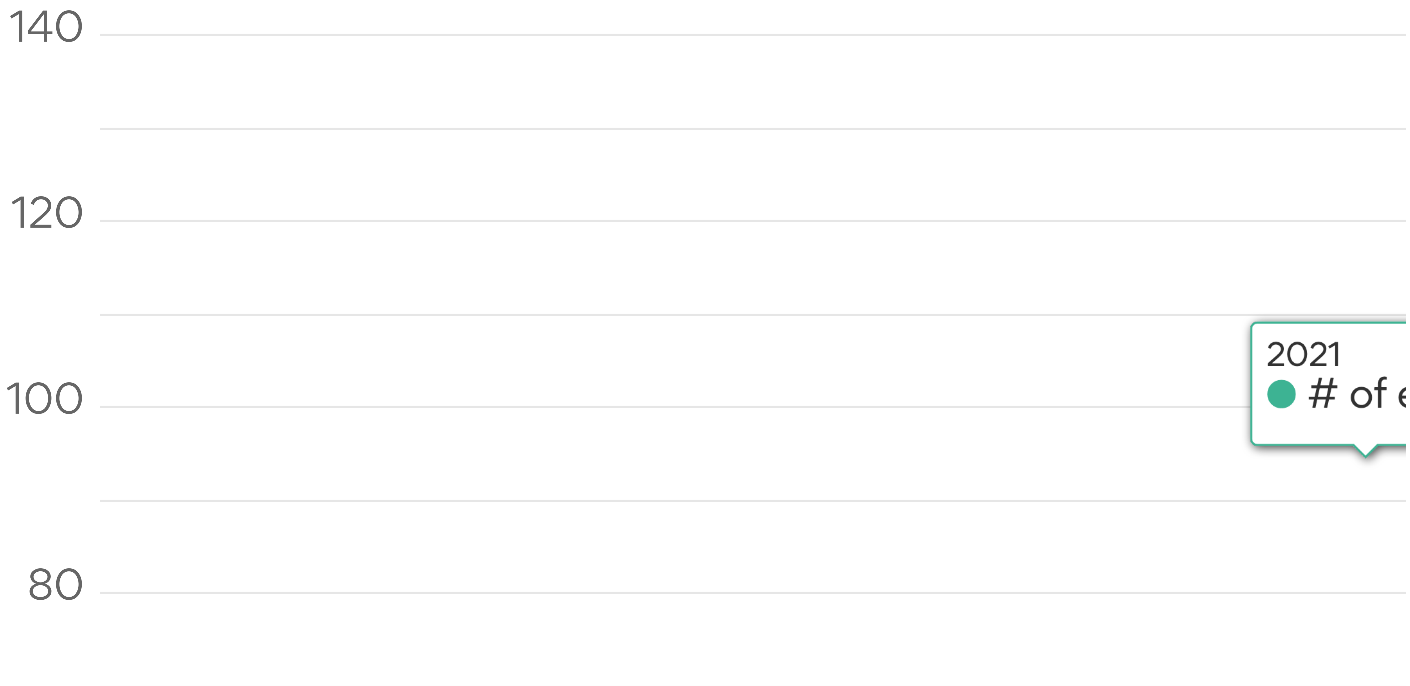
Additionally, Medline, a private equity-backed hospital equipment company, recently raised over $6 billion in the top U.S. IPO of 2025, marking the largest U.S. stock debut in four years.

"I think an interesting exercise would be look at all the publicly traded companies in the world, do a filter on those that have market caps between $50 and $100 billion, and that's your universe of companies that could be take-private candidates, especially in this very dynamic world that we're in with AI, where lots of companies either have to transform themselves or perhaps disappear."

Secondaries cement role as a core PE strategy

Weak transaction activity has weighed on distributions, fundraising and returns over the past two years and, in turn, fueled a record surge in GP-led secondaries and continuation vehicles — a trend expected to remain a top priority for firms in 2026.

Global private equity GP-led secondary ex



"When you have periods of macroeconomic uncertainty as we have had this year, a logical response from a private equity firm is to look inwards to what it already knows, owns, understands and believes it can create value, as opposed to buying a new asset with a yet unproven value creation plan," said Nick Lawler, managing director and head of secondaries at Churchill Asset Management, an affiliate of Nuveen.

According to Lawler, continuation vehicles accounted for around 20% of sponsor exits in 2025, a sharp rise from about 5% in 2020.

"Does the number of sponsor exits into CV structures come down from 20%? On a percentage basis, most likely, which is probably appropriate. CVs should never become 30% or 40% of sponsor exits," he said.

Churchill has around $56 billion in committed capital. Nuveen has a total of $1.3 trillion in assets under management.

Secondary vehicles had a banner 2025, with deal volume expected to hit [$120 billion in the second half] of the year, a 17.6% increase from the $102.2 billion in volume — a record in its own — achieved in the first half.

PitchBook analysts held a less bullish view on GP-led secondary exit volume in 2026, citing a number of contributing factors — including further potential federal rate cuts, a clearer tariff policy outlook and a thawing IPO market.

"As these traditional PE exit lanes reopen at a heightened pace, the demand for alternative liquidity solutions, such as continuation funds, dividend recaps, or net asset value loans, will begin to decline," the report stated.

PitchBook had tracked a record 133 continuation fund–related exits globally as of Oct. 31, surpassing the 124 recorded in 2024. Those exits total roughly $80 billion, another record, with a median deal size of about $430 million.

Nearly half of all private equity managers reported to be utilizing GP-led secondaries or continuation vehicles to facilitate distributions for LPs and to mitigate fundraising challenges, according to a recent survey by law firm Dechert.

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