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## 2024 Record Totals for Secondaries Point to Positive 2025 Momentum

Secondary activity continued to accelerate through 2024's fourth quarter, reaching record levels by year-end. Secondaries show no signs of slowing—with market insiders expecting significant growth in LP- and GP-led volume this year.

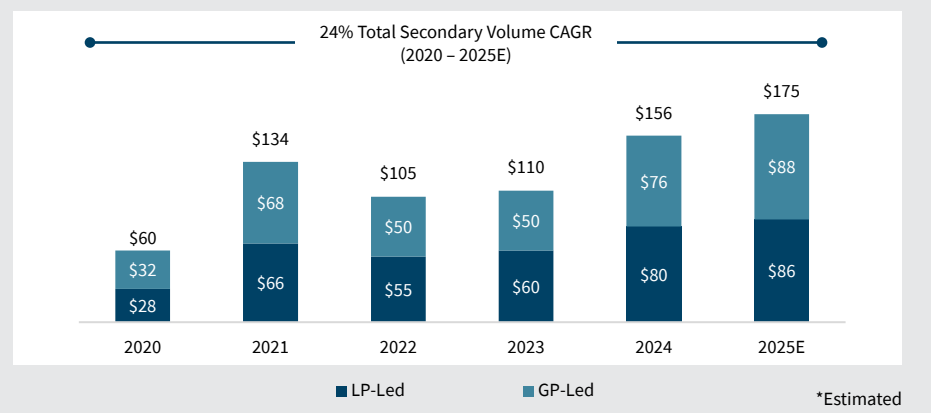
What drove 2024's strong results? In the GP-led market, several very large multi-asset continuation fund transactions and the continued proliferation of single-asset continuation funds, supported by the backdrop of continued pressure for sponsors to return capital to LPs amid a still-challenging (but improving) M&A exit environment. These factors are expected to carry over into 2025, and in the LP-led market, there is a belief that an increasing number of megadeals are coming.

On the buy side, record dry powder means there is pressure to put capital to work, and as a result, pricing continues to improve across the market. Forces supporting growth in available capital include existing players raising their largest-ever funds in 2024, new investor entrants with specialized investment mandates, and the continued rapid growth of retail capital allocated to private markets strategies, largely through '40 Act vehicles.

Other notable forces supporting continued growth include growing demand for exposure to the secondary asset class, driven by strong performance of recent secondary vintages, and a recovering M&A market supporting liquidity that secondary investors desire. Expectations of pro-business policies from the Trump administration are also a source of broader optimism.

We provide more detail on the broader secondary market and explore the LP- and GP-led markets in 2025 in the following report. We'll also explore the figures below and other trends in the secondary market in our upcoming 2025 Secondary Market Survey Report.

### Global Secondary Market Volume (\$ in Billions)<sup>1</sup>



1. Sources: William Blair Estimates, 2025 William Blair Secondary Market Survey. Numbers may not foot due to rounding.

## Record Year for LP-Leds. Are Bigger Deals Coming?

As the landscape for secondaries continued to improve in 2024's final months, sellers grew more motivated. For the first time in years, sellers verged on what we describe as "purely opportunistic" (see chart below). Indeed, we characterize the broader view on liquidity momentum as buoyant, with improving price dynamics spurring sellers to act.

### Understanding Secondary Market Pricing<sup>2</sup>

Activity in secondaries evolved over the course of 2024 from increasingly seller-friendly to downright robust. The year closed out with a bang, in the form of bullish demand from an array of buyers seeking diversified opportunities. The chart below shows a spectrum of how sellers' actions correspond with average pricing, with the arrow representing the current state of the market. Each move to the right represents an increase of approximately 50 basis points.



## Record Year for LP-Leds. Are Bigger Deals Coming?

A couple other factors are worth watching on the LP-led side. There was a scarcity of megadeals in 2024—but the deals of size that did happen had eye-popping outcomes. The strong results combined with pent-up dry powder—and improving market sentiment—could very well lead to a larger number of multibillion-dollar LP portfolio sales in 2025.

Additionally, the market in early 2025 is expected to be a virtuous cycle. Even though prices are increasing, few buyers are discouraged, as many are ready to stretch, including some who had been "risk-off" for quite a while. In other words, the general consensus seems to be that fully priced LP deals are not a fleeting wave of frothy exuberance but the new paradigm. That combined with the new entrants noted above, particularly the growth of '40 Act funds, provides more fodder for optimism.

Moreover, across most fund strategies, buyers of LP portfolios have much higher conviction about exit velocity, pushing buyout fund pricing back toward (and sometimes above) par levels for sweet-spot vintage funds of high quality. Pricing for other strategies such as credit, infrastructure, real estate, and even venture have benefited from the same market tailwinds. Most notably, unlike other recent bull markets—when meaningful buyer subsets scoffed at price momentum as "frothy"—most buyers accept the current dynamic as a new and solid reality, spurring them to compete as aggressively as they can.

### GP-Leds Strong Second Half Leads to 2025 Optimism

The strength of GP-led transaction performance and activity has attracted new buyers to enter the market as well as the continued scaling of existing players in 2024. That's great for the overall market; as capital becomes more available and secondary investors raise larger pools, lead investors are starting to take up larger portions of transactions, offering enhanced process efficiencies and, perhaps most importantly, better value for sellers.

The GP-led space has had a couple of more pointed developments as of late. We believe we are in the early innings of sector specialization as investors begin to focus on industries that have traditionally been more nuanced. Additionally, as more buyers enter the fold with ties to direct buyout firms, investors are more focused than ever before on underwriting business fundamentals and intrinsic value rather than the value of stated net asset value.

That being said, secondary investors continue to focus on assets in sectors that can be more easily underwritten and have clear macro tailwinds. We expect

2. Source: William Blair Estimates. For illustrative purposes only.

healthcare, business services, commercial services, and IT to continue to dominate GP-led volumes in 2025, supported by demand from both generalist investors and many more specialized GP-led investors.

Lastly, there is still a great deal of opportunity for growth in the GP-led market as we estimate just 30% to 40% of middle-market funds have engaged in GP-led transactions, and there were a large number of first-time sponsors of continuation funds over the last 12 months. With further maturation of the market and broader adoption of the technology, we estimate that the GP-led market has the potential to reach \$300 billion by 2030.<sup>3</sup>

## What to Expect in 2025

Even after a record 2024, market insiders expect 13% growth in secondaries in 2025<sup>4</sup>, as distributions from private equity investments continue to lag previous vintages. While supply and demand are still not fully balanced, we expect secondary dry powder to continue to build in 2025.

Looming exits from 2019-2021 continuation funds amid an improving M&A market provide more reason for optimism; they should help facilitate further LP and GP acceptance of GP-led continuation funds. A new crop of larger multi-asset deals are expected to come to market in 2025, propping up volume numbers for GP-leds, along with midmarket single-asset continuation funds also continuing their rapid pace.

Meanwhile, the handful of large LP portfolio sales in 2024 that drew huge crowds and outlier pricing left several high-capacity buyers clamoring for more large-cap deals. Word-of-mouth among sellers should lead to the flood of megadeals mentioned above, driven by institutional sellers with active-portfolio-management backlogs. Ironically, liquidity-motivated sellers will likely be less active due to the same factors driving pricing—increased liquidity coming out of portfolios—alleviating their need to sell. But sellers with other motivations (e.g., new investment teams, opportunistic churning, and fund-of-funds wind-downs) will likely offer an abundance of deals of all shapes, sizes, and vintages.

## What to Expect in 2025

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3. Source: William Blair Estimates.

4. Source: 2025 William Blair Secondary Market Survey.