

Startup investment poised to break records in 2021, report says

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Venture capital is continuing its surge in the Pacific Northwest, as startup investment across the United States is on track to shatter records, according to a new report released this week.

The spike is driven by a rise in late-stage [investment](#), and particularly deals that exceed \$100 million, said the report produced by PitchBook, a Seattle-based financial data company, and the National Venture Capital Association.

"There's more capital, there's more investors, there's more interest, there's more of everything in [venture](#)," said Kyle Stanford, a senior analyst at PitchBook, who contributed to the report.

In Washington state, startup investment totaled more than \$3.4 billion in the first half of 2021, already nearly 70% of the \$5 billion total investment seen in 2020. In 2019, the state's total was \$4.1 billion.

Washington has seen its share of megadeals this year. Umoja Biopharma, a venture developing new immunotherapies for cancer, raised \$210 million in June. Highspot, which runs a software platform to help customers manage sales, raised \$200 million in February. Cap Hill Brands, a venture that acquires e-commerce businesses, raised \$150 million in January.

Even the smaller deals grew larger. The median early-stage investment in Washington was \$7 million in the first half of 2021, up from \$6.1 million the previous year and \$5.5 million in 2019, according to PitchBook.

Nationally, startup investment growth has been even more pronounced. In the United States, \$150 billion was raised by ventures in the first half of 2021, already approaching the \$164 billion raised in all of 2020 and exceeding the \$142 billion raised in 2019.

This year's explosive growth may be attributed to pent-up demand from venture capitalists, said Michael Schutzler, CEO of the Washington Technology Industry Association. Early in the pandemic, "2020 was full

of stories among founders who had [fundraising] rounds dry up as [venture capitalists](#) reserved capital for existing portfolios," he said.

While startup investment remained relatively flat in the initial months following March 2020, Stanford said, investors quickly became comfortable with the "new normal" by summer, meeting founders and evaluating companies over Zoom. Interest in young tech companies swelled as technology became more ingrained in daily lives.

"Deal activity came screaming back a lot faster than anyone would have expected," he said.

Propelling the industry has been a rise in "megadeals," or deals exceeding \$100 million. Deals in this category totaled \$85 billion in the first half of 2021, already exceeding \$75 billion in all of 2020.

With funds glowing from venture investors flush with cash, startups are able to stay private much longer now, said Soma Somasegar, a managing director at Seattle-based Madrona Venture Group. According to PitchBook, venture funds are on track to raise more than \$100 billion this year.

Right now, he said, companies "have the flexibility to say 'I'll go public when I want to go public,' as opposed to, 'I need to go public, because that's the only way I can raise lots of money.'"

Perhaps a sign of how popular venture has become: Hedge funds and mutual funds, which typically focus on investing in public companies, are now also investing in startups at record rates.

That may be a sign that the market is nearing the top of an investment cycle, and may be cause for concern, said Steven Kaplan, a professor who researches [venture capital](#) and entrepreneurial finance at The

University of Chicago Booth School of Business. "In these sorts of times, tourists show up, and at some point, the tourists go home."

Kaplan said this recent surge, with technology being adopted at extraordinary rates during the pandemic, may be similar to the investment cycle during the late 1990s when companies raced to use the internet. He said venture investments did exceptionally well in 1997 and 1998, and then did poorly in 1999 and 2000, when the internet bubble burst.

"What you don't know is, are we in 1997, or are we in 2000," said Kaplan.

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