

AUTOMOTIVE

Luxury auto market reaches historic highs and lows in Q1: KBB

June 13, 2023



The report found that the vast majority of potential clients, 76 percent, considered purchasing a luxury SUV, with only 45 percent remaining open to buying a sedan of the same caliber. Image courtesy of Maserati

By ZACH JAMES

Vehicle valuation company Kelley Blue Book (KBB) reports that luxury SUVs are becoming increasingly desirable.

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Tracking luxury trends across Q1 2023, a new report shares that as these larger models see historically high interest, interest in high-end sedans is tanking. KBB's data suggests that a majority of potential clients, 76 percent, considered purchasing a luxury SUV in the period analyzed, while just 45 percent remained open to buying a sedan of the same caliber.

"This trend away from cars and towards SUVs has been in motion for years now across the entire industry and not just in the luxury space," said David Undercoffler, editor in chief of [Autolist.com](https://www.autolist.com), San Francisco.

"I'd expect it to continue for a while into the future."

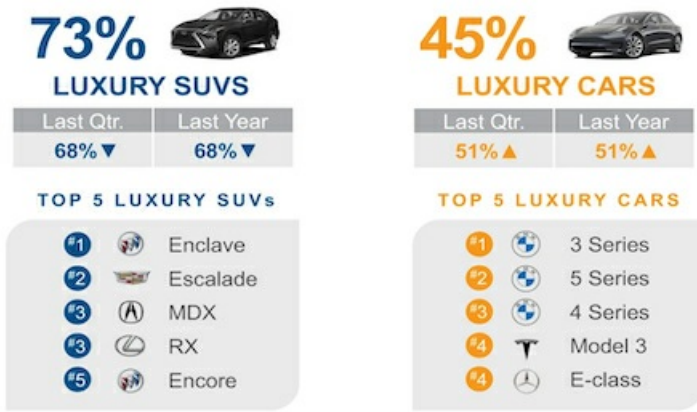
Mr. Undercoffler is not affiliated with Kelley Blue Book, but agreed to comment as an industry expert.

The Kelley Blue Book Brand Watch report, created in collaboration with research and market intelligence company Cox Automotive, takes into consideration the searches, data and behavior of mobile and desktop site users from Jan. 1, 2023, to May 17, 2023.

Highs and lows

With both historic highs and lows hitting the industry, resulting shifts are being met in surprising ways.

The 73 percent of shoppers looking for an SUV represented a 5 percent increase year-over-year, while the 45 percent of those seeking a sedan model fell by 6 percent when compared to 2022 levels, the KBB team noting that percentage shifts to this degree are rare here, changes as light as 1 percent are viewed as noteworthy.



Kelley Blue Book's chart showcases the performance of luxury sedans and SUVs. Image credit: Kelley Blue Book This quarter, the top five SUVs were also the top five luxury vehicles overall, with the top sedan, the BMW 3 Series, slotting in at sixth place. Some attribute the preference to a mix of nostalgia and a new demographic gaining spending power.

"A lot of it is generational: the percentage of vehicle shoppers who are millennials and Gen Zers continues to grow, and these are people who grew up with minivans, SUVs, and early crossovers on a level no other generation did," Mr. Undercoffler said.

"This has permanently shaped what they expect a vehicle to be: practical, upright, and flexible, something sedans will never be in their eyes."

Sedans in decline

While sedans are declined in popularity, German automaker BMW's offerings have remained strong amid the segment.

KBB's top three sedans were all BMW models, with the 3 Series coming in above the 5 and 4 Series. Although interest waned for all of BMW's sedans, its 3 and 5 Series models were the only vehicles of their class represented among the outlet's top 10 luxury vehicle list.

The luxury car market is competitive, but BMW continues to lock down first place among brands Americans consider. More: <https://t.co/xEdxZ7Bt5X>

Kelley Blue Book (@KelleyBlueBook) May 18, 2023

"Luxury [sedans] as a segment will continue to decline in popularity but they'll never fully go away," Mr. Undercoffler said.

"There are several reasons for this, particularly because it's these sedans that automakers use to define their brands and establish a halo for the rest of their lineup," he said. "And because as EVs become the norm, brands will be able to use the same underpinnings for their higher-volume SUVs and their lower-volume sedans, allowing automakers to have a cake-and-eat-it-too approach that keeps possible the production of sedans."

BMW is banking on its contemporary design initiatives, including a more eco-friendly leather-free interior option (see story) will draw in more customers to both car types.

The report also made note of the overabundance of stock for luxury vehicles, reversing previous patterns of price rises caused by low stock across the automotive industry overall (see story).