

CRREM Moves Away from “Stranding Year” and Introduces the “CRREM Misalignment Year”

A clearer, more objective indicator for real estate transition risk

23 July 2025, Amsterdam – today CRREM announced the replacement of its widely used “Stranding Year” metric with a more accurately named term: “CRREM Misalignment Year.”

The decision follows extensive dialogue with industry stakeholders and aims to better reflect what the CRREM Pathways objectively measure: the first year in which a building’s carbon or energy intensity exceeds its allocated 1.5°C budget. While the underlying methodology remains unchanged, the new terminology provides greater clarity on the insights offered by CRREM analysis—serving as an early warning system for potential transition risks, rather than implying guaranteed financial impairment.

“We believe the term ‘Stranding Year’ suggested a level of certainty about future financial outcomes that our science-based tool does not—and should not—predict,” said Andrea Palmer, CEO at the CRREM Foundation. “By introducing the term ‘CRREM Misalignment Year,’ we more accurately communicate what our tool measures: misalignment with climate targets, not a definitive loss of asset value.”

Stranded assets: a financial concept determined by markets

The concept of stranded assets refers to investments that, before the end of their economic life, can no longer generate an economic return due to market or regulatory shifts. In real estate, assets only become financially stranded when markets recognize and price in these risks—through higher cap rates, lower rents, reduced liquidity, or premature write-downs.

Exceeding a CRREM Pathway threshold signals potential transition risk, but does not itself mean an asset will become stranded. Many real estate assets remain adaptable and present investment opportunities through retrofitting, repurposing, or operational improvements.

Contextual analysis remains essential

CRREM encourages users to view the CRREM Misalignment Year as one part of a comprehensive transition risk assessment. Asset-level CRREM performance should always be contextualized alongside local regulations, tenant demand, lease structures, capital market trends, and usage patterns that may cause deviations from CRREM’s

market-average pathways. This enrichment gives investors a more comprehensive view of climate-related financial risks.

Supporting actionable and informed decisions

By adopting the “CRREM Misalignment Year,” the CRREM Foundation aims to support investors, managers, lenders, and regulators in making better-informed decisions. This clearer, science-based KPI distinguishes between misalignment with global climate goals and actual financial impairment—helping users identify transition risks, engage more effectively, and plan credible decarbonization strategies.

“Our goal is to make transition risk analysis more decision-useful,” added Julia Wein, Chief Operating Officer at CRREM. “This change will help the industry have more nuanced conversations about risk, resilience, and opportunity.”

Summary

Referring to the primary CRREM indicator as the “CRREM Misalignment Year” is clearer and more objective:

- CRREM provides a science-based, forward-looking measure of when an asset’s performance misaligns with global climate goals.
- Whether and when an asset becomes financially stranded depends on regulation, tenant demand, investor sentiment, and broader market conditions.
- Misalignment with climate targets signals potential risk, rather than predicting a guaranteed loss of value.

This change helps CRREM users—investors, managers, lenders, and regulators—interpret results for what they are. It also encourages investors and fund managers to undertake more complete transition risk analyses and engagement efforts by clearly distinguishing between misalignment with a global carbon budget and actual financial impairment—which the market, and the market, alone—determines. Our ambition is to help investors identify the CRREM Misalignment Year for assets, and to guide the real estate stakeholders with additional context to make transition risk actionable and decision-useful.

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For more information or interview requests, please contact: info@crrem.org

About CRREM Foundation

CRREM Foundation has developed and published decarbonization pathways for specific real estate asset types, across 44 countries. These help real estate market participants identify transition risks and Paris Aligned assets, giving them insights to make more informed decisions. Additional philanthropic funding has been secured to expand the countries and property types covered by the pathways.