

STRATUS PROPERTIES INC
Form 10-Q
November 09, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number: 000-19989

Stratus Properties Inc.

(Exact name of registrant as specified in its charter)

Delaware

72-1211572

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

212 Lavaca St., Suite 300

Austin, Texas

78701

(Address of principal executive offices)

(Zip Code)

(512) 478-5788

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

On October 30, 2015, there were issued and outstanding 8,067,356 shares of the registrant's common stock, par value \$0.01 per share.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

STRATUS PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In Thousands)

	September 30, 2015	December 31, 2014	
ASSETS			
Cash and cash equivalents	\$ 33,190	\$ 29,645	
Restricted cash	8,181	7,615	
Real estate held for sale	27,013	12,245	
Real estate under development	153,241	123,921	
Land available for development	24,223	21,368	
Real estate held for investment, net	151,285	178,065	
Deferred tax assets	15,977	11,759	
Other assets	16,434	18,069	
Total assets	\$429,544	\$402,687	
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable	\$ 16,546	\$ 8,076	
Accrued liabilities	11,298	9,670	
Debt	255,567	196,477	
Other liabilities and deferred gain	9,788	13,378	
Total liabilities	293,199	227,601	
Commitments and contingencies			
Equity:			
Stratus stockholders' equity:			
Common stock	91	91	
Capital in excess of par value of common stock	192,103	204,269	
Accumulated deficit	(35,450)	(47,321))
Accumulated other comprehensive loss	—	(279))
Common stock held in treasury	(20,470)	(20,317))
Total stockholders' equity	136,274	136,443	
Noncontrolling interests in subsidiaries	71	38,643	
Total equity	136,345	175,086	
Total liabilities and equity	\$429,544	\$402,687	

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Hotel	\$8,521	\$9,714	\$31,194	\$31,086
Real estate operations	6,210	6,562	10,920	18,817
Entertainment	4,159	3,659	13,463	12,659
Commercial leasing	787	1,695	4,311	4,888
Total revenues	19,677	21,630	59,888	67,450
Cost of sales:				
Hotel	6,782	7,542	23,159	22,815
Real estate operations	4,459	5,478	8,580	13,978
Entertainment	3,423	3,003	10,514	9,539
Commercial leasing	516	1,045	2,216	2,449
Depreciation	2,063	2,241	6,713	6,713
Total cost of sales	17,243	19,309	51,182	55,494
General and administrative expenses	2,187	1,741	6,308	5,762
Gain on sales of assets	(20,729)	) —	(20,729)) —
Litigation and insurance settlements	—	(1,506)	) —	(2,082)
Total costs and expenses	(1,299)	) 19,544	36,761	59,174
Operating income	20,976	2,086	23,127	8,276
Interest expense, net	(855)	) (974)	) (2,736)	) (2,797)
(Loss) gain on interest rate derivative instruments	(918)	) 15	(986)	) (236)
Loss on early extinguishment of debt	—	(19)	) —	(19)
Other income, net	15	3	304	25
Income before income taxes and equity in unconsolidated affiliates' (loss) income	19,218	1,111	19,709	5,249
Equity in unconsolidated affiliates' (loss) income	(280)	) (190)	) (398)	) 248
Provision for income taxes	(5,197)	) (143)	) (5,244)	) (563)
Income from continuing operations	13,741	778	14,067	4,934
Income from discontinued operations, net of taxes	—	—	3,218	—
Net income	13,741	778	17,285	4,934
Net income attributable to noncontrolling interests in subsidiaries	(3,493)	) (181)	) (5,414)	) (3,021)
Net income attributable to common stock	\$10,248	\$597	\$11,871	\$1,913
Basic and diluted net income per share attributable to common stockholders:				
Continuing operations	\$1.27	\$0.07	\$1.07	\$0.24
Discontinued operations	\$—	\$—	\$0.40	\$—
Basic and diluted net income per share attributable to common stockholders	\$1.27	\$0.07	\$1.47	\$0.24

Weighted-average shares of common stock outstanding:

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Basic	8,063	8,032	8,055	8,037
Diluted	8,094	8,067	8,085	8,078

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Net income	\$13,741	\$778	\$17,285	\$4,934	
Other comprehensive loss, net of taxes:					
Income (loss) on interest rate swap agreement	438	98	457	(337))
Other comprehensive income (loss)	438	98	457	(337))
Total comprehensive income	14,179	876	17,742	4,597	
Total comprehensive income attributable to noncontrolling interests	(3,666)	) (211)	) (5,592)	) (2,920))
Total comprehensive income attributable to common stock	\$10,513	\$665	\$12,150	\$1,677	

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In Thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flow from operating activities:		
Net income	\$17,285	\$4,934
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,713	6,713
Cost of real estate sold	4,935	9,772
Deferred gain on sale of 7500 Rialto	(5,000))
Gain on sales of assets	(20,729))
Loss on early extinguishment of debt	—	19
Stock-based compensation	421	348
Equity in unconsolidated affiliates' loss (income)	398	(248)
Deposits	1,267	597
Deferred income taxes	3,252	—
Purchases and development of real estate properties	(20,591)	) (47,611)
Municipal utility district reimbursement	5,307	—
Increase in other assets	(1,777)	) (2,939)
Increase in accounts payable, accrued liabilities and other	11,863	3,334
Net cash provided by (used in) operating activities	3,344	(25,081)
Cash flow from investing activities:		
Capital expenditures	(37,383)	) (2,263)
Net proceeds from sales of assets	43,266	—
Return of investment in unconsolidated affiliates	6	1,368
Net cash provided by (used in) investing activities	5,889	(895)
Cash flow from financing activities:		
Borrowings from credit facility	55,826	28,500
Payments on credit facility	(20,857)	) (9,782)
Borrowings from project loans	60,202	29,812
Payments on project and term loans	(36,081)	) (12,079)
Purchase of noncontrolling interest	(61,991))
Stock-based awards net proceeds (payments), including excess tax benefit	1,722	(125)
Noncontrolling interests distributions	(4,244)	) (4,275)
Repurchase of treasury stock	—	(637)
Financing costs	(265)	) (69)
Net cash (used in) provided by financing activities	(5,688)	) 31,345
Net increase in cash and cash equivalents	3,545	5,369
Cash and cash equivalents at beginning of year	29,645	21,307
Cash and cash equivalents at end of period	\$33,190	\$26,676

The accompanying Notes to Consolidated Financial Statements (Unaudited), which include information regarding noncash transactions, are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
(In Thousands)

	Stratus Stockholders' Equity									
	Common Stock Number of Shares	At Par Value	Capital in Excess of Par Value	Accum-ulated Deficit	Accum- ulated Other Compre- hensive Loss	Common Stock Held in Treasury Number of Shares	At Cost	Total Stratus Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at December 31, 2014	9,116	\$91	\$204,269	\$(47,321)	\$(279)	1,081	\$(20,317)	\$136,443	\$38,643	\$175,086
Exercised and issued stock-based awards	42	—	—	—	—	—	—	—	—	—
Stock-based compensation	2	—	421	—	—	—	—	421	—	421
Tax benefit for stock-based awards	—	—	1,866	—	—	—	—	1,866	—	1,866
Tender of shares for stock-based awards	—	—	—	—	—	12	(153)	(153)	—	(153)
Noncontrolling interests distributions	—	—	—	—	—	—	—	—	(4,244)	(4,244)
Purchase of noncontrolling interest in consolidated subsidiary, net of taxes	—	—	(14,453)	—	—	—	—	(14,453)	(39,920)	(54,373)
Total comprehensive income	—	—	—	11,871	279	—	—	12,150	5,592	17,742
Balance at September 30, 2015	9,160	\$91	\$192,103	\$(35,450)	\$—	1,093	\$(20,470)	\$136,274	\$71	\$136,345
Balance at December 31, 2013	9,076	\$91	\$203,724	\$(60,724)	\$(22)	1,030	\$(19,448)	\$123,621	\$45,695	\$169,316
Common stock repurchases	—	—	—	—	—	37	(637)	(637)	—	(637)
	40	—	65	—	—	—	—	65	—	65

Exercised and issued stock-based awards										
Stock-based compensation	—	—	348	—	—	—	—	348	—	348
Tender of shares for stock-based awards	—	—	—	—	—	11	(190)	(190)	—	(190)
Noncontrolling interests distributions	—	—	—	—	—	—	—	—	(4,275)	(4,275)
Total comprehensive income (loss)	—	—	—	1,913	(236)	—	—	1,677	2,920	4,597
Balance at September 30, 2014	9,116	\$91	\$204,137	\$(58,811)	\$(258)	1,078	\$(20,275)	\$124,884	\$44,340	\$169,224

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2014, included in Stratus Properties Inc.'s (Stratus) Annual Report on Form 10-K (Stratus 2014 Form 10-K) filed with the Securities and Exchange Commission. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary for a fair statement of the results for the interim periods reported. Operating results for the three-month and nine-month periods ended September 30, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

2. EARNINGS PER SHARE

Stratus' basic net income per share of common stock was calculated by dividing the net income attributable to common stock by the weighted-average shares of common stock outstanding during the third-quarter and nine-month periods. A reconciliation of net income and weighted-average shares of common stock outstanding for purposes of calculating diluted net income per share (in thousands, except per share amounts) follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$13,741	\$778	\$17,285	\$4,934
Net income attributable to noncontrolling interests in subsidiaries	(3,493)	(181)	(5,414)	(3,021)
Net income attributable to Stratus common stock	\$10,248	\$597	\$11,871	\$1,913
Weighted-average shares of common stock outstanding	8,063	8,032	8,055	8,037
Add shares issuable upon exercise or vesting of:				
Dilutive stock options	6	7	6	12
Restricted stock units (RSUs)	25	^a 28	^a 24	^a 29
Weighted-average shares of common stock outstanding for purposes of calculating diluted net income per share	8,094	8,067	8,085	8,078

Diluted net income per share attributable to common stock \$1.27 \$0.07 \$1.47 \$0.24

a. Excludes shares of common stock totaling approximately 22 thousand for third-quarter 2015, 28 thousand for the first nine months of 2015 and 30 thousand for the third quarter and first nine months of 2014 associated with anti-dilutive RSUs.

Outstanding stock options with exercise prices greater than the average market price for Stratus' common stock during the period are excluded from the computation of diluted net income per share of common stock. Excluded stock options totaled approximately 18 thousand for third-quarter 2015, 24 thousand for the first nine months of 2015, 57 thousand for third-quarter 2014 and 38 thousand for the first nine months of 2014.

3. JOINT VENTURE WITH CANYON-JOHNSON URBAN FUND II, L.P.

On September 28, 2015, Stratus completed the purchase of Canyon-Johnson Urban Fund II, L.P.'s (Canyon-Johnson) approximate 58 percent interest in the CJUF II Stratus Block 21, LLC joint venture (the Block 21 Joint Venture), which owns a 36-story mixed-use development in downtown Austin, Texas, anchored by a W Austin Hotel & Residences (the W Austin Hotel & Residences project), for approximately \$62 million. Canyon-Johnson triggered the

process on May 12, 2015, requiring Stratus to elect to either sell its interest in the Block 21 Joint Venture to Canyon-Johnson for \$44.5 million or purchase Canyon-Johnson's interest in the Block 21 Joint Venture. On July 6, 2015, Stratus notified Canyon-Johnson of its election to purchase Canyon-Johnson's interest in the Block 21 Joint Venture. The Block 21 Joint Venture, which was previously a variable interest entity consolidated by Stratus, is now a wholly owned subsidiary of Stratus and continues to be consolidated. The change in ownership was reflected in stockholder's equity on the Consolidated Balance Sheet, primarily as a reduction in noncontrolling interests in subsidiaries and capital in excess of par value, and an increase in deferred tax assets.

Stratus funded its acquisition of Canyon-Johnson's interest in the Block 21 Joint Venture with (1) \$32.3 million from its non-recourse term loan with Bank of America, (2) a \$20.0 million term loan under Stratus' credit facility with Comerica Bank and (3) \$9.7 million in cash.

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Prior to Stratus' purchase of Canyon-Johnson's interest on September 28, 2015, cumulative capital contributions totaled \$71.9 million for Stratus and \$94.0 million for Canyon-Johnson, and the inception-to-date distributions totaled \$53.4 million to Stratus and \$62.6 million to Canyon-Johnson.

Prior to the purchase transaction, the Block 21 Joint Venture's cumulative profits were allocated based on a hypothetical liquidation of the Block 21 Joint Venture's net assets as of each balance sheet date and through September 28, 2015, the allocation was 42 percent for Stratus and 58 percent for Canyon-Johnson.

4. FAIR VALUE MEASUREMENTS

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The carrying value for certain Stratus financial instruments (i.e., cash and cash equivalents, restricted cash, accounts payable and accrued liabilities) approximates fair value because of their short-term nature and generally negligible credit losses. A summary of the carrying amount and fair value of Stratus' other financial instruments follows (in thousands):

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Interest rate cap agreement	\$2	\$2	\$79	\$79
Liabilities:				
Interest rate swap agreement	909	909	596	596
Debt	255,567	255,578	196,477	196,856

Interest Rate Cap Agreement. On September 30, 2013, the Block 21 Joint Venture paid \$0.5 million to enter into an interest rate cap agreement, which caps the one-month London Interbank Offered Rate (LIBOR), the variable rate in the Bank of America loan agreement relating to the W Austin Hotel & Residences project (the BoA loan), at 1 percent for the first year the BoA loan is outstanding, 1.5 percent for the second year and 2 percent for the third year. Stratus uses an interest rate pricing model that relies on market observable inputs such as LIBOR to measure the fair value of the interest rate cap agreement. Stratus also evaluated the counterparty credit risk associated with the interest rate cap agreement, which is considered a Level 3 input, but did not consider such risk to be significant. Therefore, the interest rate cap agreement is classified within Level 2 of the fair value hierarchy.

Interest Rate Swap Agreement. On December 13, 2013, Stratus' joint venture with LCHM Holdings, LLC, formerly Moffett Holdings, LLC, for the development of Parkside Village (the Parkside Village Joint Venture), entered into an interest rate swap agreement with Comerica Bank that Stratus had designated as a cash flow hedge with changes in fair value of the instrument recorded in other comprehensive income. The instrument effectively converted the variable rate portion of Parkside Village's loan from Comerica Bank (the Parkside Village loan) from one-month LIBOR to a fixed rate of 2.3 percent. On July 2, 2015, Stratus completed the sale of the Parkside Village property (see Note 9). In connection with the sale, Stratus fully repaid the amount outstanding under the Parkside Village loan. Stratus assumed the interest rate swap agreement and as a result, the instrument no longer qualifies for hedge accounting. Accordingly, the liability balance of \$0.6 million on July 2, 2015, was reclassified to the statement of income as a loss on interest rate derivative instruments and future changes in the fair value of the instrument will be recorded in the statement of income (including a loss of \$0.3 million in third-quarter 2015). Stratus also evaluated the counterparty credit risk associated with the interest rate swap agreement, which is considered a Level 3 input, but did not consider such risk to be significant. Therefore, the interest rate swap agreement is classified within Level 2 of the

fair value hierarchy.

Debt. Stratus' debt is recorded at cost and is not actively traded. Fair value is estimated based on discounted future expected cash flows at estimated current market interest rates. Accordingly, Stratus' debt is classified within Level 2 of the fair value hierarchy. The fair value of debt does not represent the amounts that will ultimately be paid upon the maturities of the loans.

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5. DEBT

Bank of America Loan. On September 28, 2015, Stratus amended its term loan with Bank of America, N.A. (the BoA Loan). Pursuant to the BoA Loan amendment and among other revisions, (1) the \$100.0 million non-recourse term loan previously made available to the Block 21 Joint Venture was increased to \$130.0 million, (2) the interest rate was reduced to the LIBOR daily floating rate plus 2.35 percent and (3) the maturity date was extended from September 29, 2016, to September 28, 2020. In addition, Canyon-Johnson was released as a guarantor. Accordingly, certain obligations of the Block 21 Joint Venture, including environmental indemnification and other customary carve-out obligations, are guaranteed by Stratus. All other terms and conditions remain unchanged.

Comerica Credit Facility. On August 21, 2015, Stratus amended its \$48.0 million credit facility with Comerica (the Comerica credit facility), that was scheduled to mature on August 31, 2015. The amendment increases the borrowing capacity under the Comerica credit facility to \$72.5 million, comprised of a \$45.0 million revolving line of credit, a \$7.5 million tranche for letters of credit and a \$20.0 million term loan. The interest rate applicable to amounts borrowed under the Comerica credit facility is LIBOR plus 4.0 percent, with a minimum interest rate of 6.0 percent. The Comerica credit facility matures on August 31, 2017, however, to the extent amounts are outstanding under the \$20.0 million term loan, a principal payment of \$8.0 million is required on or before December 31, 2015, with quarterly principal payments of \$1.75 million due thereafter. The Comerica credit facility is secured by substantially all of Stratus' assets except for properties that are encumbered by separate loan financing. The Comerica credit facility contains customary financial covenants including a requirement that Stratus maintain a minimum total stockholders' equity balance of \$110.0 million. As of September 30, 2015, Stratus had \$58.1 million outstanding under the Comerica credit facility, which was comprised of \$38.1 million under the revolving line of credit and \$20.0 million under the term loan.

Santal (formerly Tecoma) Construction Loan. On January 8, 2015, a Stratus subsidiary entered into a \$34.1 million construction loan agreement with Comerica Bank to fund the development and construction of the first phase of a multi-family development in Section N of Barton Creek, which is referred to as the Santal Barton Creek multi-family project (the Santal construction loan). The interest rate on the Santal construction loan is a LIBOR-based rate (as defined in the loan agreement) plus 2.5 percent. The Santal construction loan matures on January 8, 2018, and Stratus has the option to extend the maturity date for two additional twelve-month periods, subject to certain debt service coverage conditions. The Santal construction loan is fully guaranteed by Stratus until certain operational milestones (as defined in the loan agreement) are met.

Interest Expense and Capitalization. Interest expense (before capitalized interest) totaled \$2.2 million for third-quarter 2015, \$2.0 million for third-quarter 2014, \$6.8 million for the nine months ended September 30, 2015, and \$5.6 million for the nine months ended September 30, 2014. Stratus' capitalized interest costs totaled \$1.4 million for third-quarter 2015, \$1.1 million for third-quarter 2014, \$4.1 million for the nine months ended September 30, 2015, and \$2.8 million for the nine months ended September 30, 2014. Capitalized interest costs for the 2015 and 2014 periods primarily related to development activities at Lakeway and certain properties in Barton Creek.

6. INCOME TAXES

Stratus' accounting policy for and other information regarding its income taxes is further described in Notes 1 and 8 in the Stratus 2014 Form 10-K.

Stratus had deferred tax assets (net of deferred tax liabilities) totaling \$16.0 million at September 30, 2015, and \$11.8 million at December 31, 2014. Stratus' future results of operations may be negatively impacted by an inability to realize a tax benefit for future tax losses or for items that will generate additional deferred tax assets.

The difference between Stratus' consolidated effective income tax rate for third-quarter and the first nine months of 2015, and the U.S. Federal statutory income tax rate of 35 percent, was primarily attributable to state income taxes partially offset by the tax effect of income attributable to noncontrolling interests. During the first nine months of 2014, Stratus was subject to state income taxes while maintaining a valuation allowance against its deferred tax assets related to federal income taxes. During fourth-quarter 2014, Stratus released the valuation allowance and recorded a tax benefit.

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7. BUSINESS SEGMENTS

Stratus currently has four operating segments: Real Estate Operations, Hotel, Entertainment and Commercial Leasing.

The Real Estate Operations segment is comprised of Stratus' real estate assets (developed, under development and available for development), which consist of its properties in Austin, Texas (the Barton Creek community, the Circle C community, Lantana and the condominium units at the W Austin Hotel & Residences project); in Lakeway, Texas (The Oaks at Lakeway) located in the greater Austin area; in Magnolia, Texas located in the greater Houston area; and in Killeen, Texas (The West Killeen Market).

The Hotel segment includes the W Austin Hotel located at the W Austin Hotel & Residences project.

The Entertainment segment includes ACL Live, a live music and entertainment venue and production studio at the W Austin Hotel & Residences project. In addition to hosting concerts and private events, this venue is the home of Austin City Limits, a television program showcasing popular music legends. The Entertainment segment also includes revenues and costs associated with events hosted at other venues, and the results of the Stageside Productions joint venture with Pedernales Entertainment LLC (see Note 2 in the Stratus 2014 Form 10-K for further discussion).

The Commercial Leasing segment includes the office and retail space at the W Austin Hotel & Residences project and a retail building and a bank building in Barton Creek Village. On July 2, 2015, Stratus completed the sales of the Parkside Village and 5700 Slaughter properties, which were included in the Commercial Leasing segments. See Note 9 for further discussion.