

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <b>ARMSTRONG WILLIAM H III</b>			2. Issuer Name and Ticker or Trading Symbol <b>STRATUS PROPERTIES INC [ STRS ]</b>			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <b>Chair of Board, President, CEO</b>		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) <b>12/21/2006</b>					
98 SAN JACINTO BOULEVARD, STE 220			4. If Amendment, Date of Original Filed (Month/Day/Year)			6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person		
(Street) <b>AUSTIN TX 78701</b>								
(City) (State) (Zip)								

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								3,250	I	IRA for self
Common Stock	12/21/2006		M		32,500	A	\$7	159,442	D	
Common Stock	12/21/2006		M		50,000	A	\$7.81	209,442	D	
Common Stock	12/21/2006		M		60,000	A	\$8.69	269,442	D	
Common Stock	12/21/2006		M		45,455	A	\$8.45	314,897	D	
Common Stock <sup>(5)</sup>	12/21/2006		F <sup>(6)</sup>		98,816	D	\$31.95	216,081	D	

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V		(A)	(D)						Date Exercisable
Option (right to buy)	\$7	12/21/2006		M		32,500	05/08/1998 <sup>(1)</sup>	05/08/2007	Common Stock	32,500	\$0	0	D	
Option (right to buy)	\$7.81	12/21/2006		M		50,000	02/11/2000 <sup>(2)</sup>	02/11/2009	Common Stock	50,000	\$0	0	D	
Option (right to buy)	\$8.69	12/21/2006		M		60,000	02/10/2001 <sup>(3)</sup>	02/10/2010	Common Stock	60,000	\$0	2,500	D	
Option (right to buy)	\$8.45	12/21/2006		M		45,455	01/17/2003 <sup>(4)</sup>	01/17/2012	Common Stock	45,455	\$0	0	D	

**Explanation of Responses:**

- 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
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- Amount beneficially owned following the reported transactions includes 57,250 Common Stock Restricted Stock Units.
- Shares delivered and withheld in payment of the exercise price of options and resulting taxes.

Kelly C. Simoneaux, on behalf  
of William H. Armstrong III 12/22/2006  
pursuant to a power of  
attorney

\*\* Signature of Reporting Person      Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.**