SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended June 30, 2002

Commission File Number: 0-19989

Stratus Properties Inc.

Incorporated in Delaware	72-1211572 (IRS Employer Identification No.)

98 San Jacinto Blvd., Suite 220, Austin, Texas 78701

Registrant's telephone number, including area code: (512) 478-5788

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 X No _

On June 30, 2002, there were issued and outstanding 7,115,995 shares of the registrant's Common Stock, par value $0.01 per share.

THIS FILING INCLUDES UNAUDITED FINANCIAL STATEMENTS THAT HAVE NOT BEEN REVIEWED IN ACCORDANCE WITH RULE 10-01(D) OF REGULATION S-X PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION. SEE "INFORMATION WITH RESPECT TO FINANCIAL STATEMENTS" IN THIS FILING FOR MORE INFORMATION.

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STRATUS PROPERTIES INC.
Part I. FINANCIAL INFORMATION

Information with Respect to Financial Statements.
This filing includes unaudited financial statements that have not been reviewed by the Company's independent public accountants in accordance with Rule 10-01(d) of Regulation S-X promulgated by the Securities and Exchange Commission.

On July 22, 2002, the Company announced that it had dismissed Arthur Andersen as the Company's independent accountants. The Company has appointed PricewaterhouseCoopers LLP as independent accountants to replace Andersen. As a result of delays in the transition from Andersen, PricewaterhouseCoopers has not yet completed their review of the Company's interim financial statements for the quarter ended June 30, 2002. The Company will file an amended Form 10-Q upon completion of PricewaterhouseCoopers' review.

Item 1. Financial Statements

STRATUS PROPERTIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2002	December 31, 2001
	(In Thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents, including restricted cash of $2.0 million and $0.2 million, respectively	$ 2,754	$ 3,705
Accounts receivable	1,289	670
Current portion of notes receivable from property sales	1,789	70
Prepaid expenses	79	73
Total current assets	5,911	4,518
Real estate and facilities, net	109,723	110,042
Rental properties, net	22,109	-
Investments in and advances to unconsolidated affiliates	191	8,005
Notes receivable from property sales, net of current position	1,943	4,083
Other assets	2,351	2,830
Total assets	$ 142,228	$ 129,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 2,318	$ 2,482
Accrued interest, property taxes and other	1,546	1,895
Current portion of borrowings outstanding	5,277	-
Total current liabilities	9,141	4,377
Long-term debt	42,040	25,576
Other liabilities	3,404	4,866

Mandatorily redeemable preferred stock	-	10,000
Stockholders' equity	87,643	84,659
Total liabilities and stockholders'equity	$ 142,228	$ 129,478

The accompanying notes are an integral part of these financial statements.

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In Thousands, Except Per Share Amounts)			
Revenues:				
Real estate	$ 2,615	$ 7,900	$ 3,640	$ 9,012
Rental income	652	-	914	-
Other	310	313	767	627
Total revenues	3,577	8,213	5,321	9,639
Cost of sales:				
Real estate, net	1,282	5,515	2,173	5,961
Rental	439	-	553	-
Depreciation	231	33	327	65
Total cost of sales	1,952	5,548	3,053	6,026
General and administrative expenses	1,173	1,387	2,356	2,475
Total costs and expenses	3,125	6,935	5,409	8,501
Operating income (loss)	452	1,278	(88)	1,138
Interest expense, net	(164)	(363)	(212)	(456)
Interest income	134	172	384	358
Equity in unconsolidated affiliaties' income (loss)	(46)	(13)	372	(165)
Other income	-	16	286	235
Net income	$ 376	$ 1,090	$ 742	$ 1,110
Reconciliation of net income to net income attributable to common shareholders:				
Net income	$ 376	$ 1,090	$ 742	$ 1,110
Discount on purchase of mandatorily redeemable preferred stock	-	-	2,367	-
Net income attributable to common shareholders	$ 376	$ 1,090	$ 3,109	$ 1,110
Net income per share of common stock:				
Basic	$0.05	$0.15	$0.44	$0.15
Diluted	$0.05	$0.13	$0.41	$0.14
Average shares outstanding:				
Basic	7,116	7,181	7,115	7,184
Diluted	7,261	8,168	7,535	8,127

The accompanying notes are an integral part of these financial statements.

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(In Thousands)	
Cash flow from operating activities:		
Net income	$ 742	$ 1,110
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	327	65
Cost of real estate sold	955	5,555
Equity in unconsolidated affiliates' (income) loss	(372)	165
Gain on sale of Stratus' 50 percent interest in Walden Partnership	(286)	-
Amortization of deferred compensation (Note 3)	20	-
(Increase) decrease in working capital:		
Accounts receivable and other	1,348	228
Accounts payable and accrued liabilities	(735)	579
Long-term receivable and other	1,106	(4,943)
Distribution of unconsolidated affiliates' income	278	-
Net cash provided by operating activities	3,383	2,759
Cash flow from investing activities:		
Real estate and facilities, net of cost of real estate sold	(6,445)	(14,052)
Net cash acquired from Barton Creek and 7000 West Joint Ventures	1,067	-
Proceeds from the sale of Stratus' 50 percent interest in the Walden Partnership	3,141	-
Acquisition of Olympus' interest in the Barton Creek and 7000 West Joint Ventures	(3,858)	-
Investment in Lakeway Project	505	(2,000)
Net cash used in investing activities	(5,590)	(16,052)
Cash flow from financing activities:		
Borrowings under revolving credit facility, net	2,912	5,765
Borrowings under 7500 Rialto project loan	1,781	-
Borrowings under term loan component of credit facility	4,645	-
Payments on term loan portion of credit facility	(432)	-
Payments on 7000 West project loan	(64)	-
Repurchase of mandatorily redeemable preferred stock	(7,633)	-
Proceeds from unsecured term loan	-	5,000
Repayment of convertible debt	-	(3,240)
Repurchases of shares of Stratus' common stock	-	(187)
Exercise of stock options and other	47	-
Net cash provided by financing activities	1,256	7,338
Net decrease in cash and cash equivalents	(951)	(5,955)
Cash and cash equivalents at beginning of year	3,705	7,996

Cash and cash equivalents at end of period	2,754	2,041
Less cash restricted as to use	(2,045)	(841)
Unrestricted cash and cash equivalents at end of period	$ 709	$ 1,200

The accompanying notes are an integral part of these financial statements.

STRATUS PROPERTIES INC.
NOTES TO FINANCIAL STATEMENTS

1. OLYMPUS TRANSACTIONS
Since 1998, Stratus, through its subsidiaries, has been involved with Olympus Real Estate Corporation (Olympus) in three joint ventures: the Oly Stratus Barton Creek I Joint Venture (Barton Creek Joint Venture), the Oly Walden General Partnership (Walden Partnership) and the Stratus 7000 West Joint Venture (7000 West). Each joint venture was governed by a partnership agreement containing similar provisions, including a "buy/sell option" which could be exercised by either Stratus or Olympus.

On February 27, 2002, Stratus and Olympus concluded their business relationship in the following transactions:

* Stratus purchased its $10.0 million of mandatorily redeemable preferred stock held by Olympus for $7.6 million. Stratus recorded the $2.4 million discount as additional paid in capital (Note 4).

* Stratus sold its 49.9 percent ownership interest in the Walden Partnership to Olympus for $3.1 million. Stratus recognized a $0.3 million gain on this transaction.

* Stratus acquired Olympus' 50.01 percent ownership interest in the Barton Creek Joint Venture for $2.4 million. At the time of its acquisition, the Barton Creek Joint Venture's cash totaled $0.3 million and the joint venture received a $1.1 million municipal utility district reimbursement in May 2002.

* Stratus acquired Olympus' 50.1 percent ownership interest in 7000 West for $1.5 million. Stratus received $0.8 million of cash from 7000 West upon its acquisition and also assumed 7000 West's $12.9 million of previously unconsolidated debt (Note 5).

The net cash cost of the transactions for Stratus totaled approximately $7.3 million, after considering the approximate $1.1 million in cash it received from its acquisition of the Barton Creek and 7000 West Joint Ventures. Stratus completed these transactions using funds available to it under its credit facility (see Note 5 of "Notes to Financial Statements" included in Stratus' 2001 Annual Report on Form 10-K).

For a detailed discussion of the Olympus relationship and the initial formation and subsequent transactions of the joint ventures and partnership, see Notes 2, 3, 4 and 11 of the "Notes To Financial Statements" included in Stratus' 2001 Annual Report on Form 10-K. Also refer to "Transactions with Olympus Real Estate Corporation" within Item 1 "Business"; and "Joint Ventures With Olympus Real Estate Corporation " and "Capital Resources and Liquidity-Olympus Relationship" included in Items 7. and 7A. "Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures of Market Risks" included in Stratus' 2001 Annual Report on Form 10-K.

The summarized unaudited financial information of Stratus' unconsolidated affiliates is shown below (in thousands):

	Barton Creek Joint Venture	Walden Partnership	7000 West	Total
Earnings data for the two months ended February 27, 2002:				
Revenues	$ -	$ 652	$ 562	$ 1,214
Operating income (loss)	(22)	(64)	178	92
Net income (loss)	(22)	(34)	218	162
Stratus' equity in net income (loss)	(11)	(4)a	109	94 a
Earnings data for the three months ended June 30, 2001:				
Revenues	$ -	$ 1,102	$ 860	$ 1,962
Operating income (loss)	(67)	2	(39)	(104)
Net income (loss)	(66)	43	(32)	(55)
Stratus' equity in net income (loss)	(33)	36 a	(16)	(13)a

	Barton Creek Joint Venture	Walden Partnership	7000 West	Total
Earnings data for the six months ended June 30, 2001:				
Revenues	$ 223	$ 1,539	$1,561	$ 3,323
Operating loss	(106)	(270)	(157)	(533)
Net loss	(99)	(169)	(111)	(379)
Stratus' equity in net loss	(49)	(61)a	(55)	(165)a

a. Includes recognition of deferred income totaling $12,000 during the two months ended February 27, 2002, $14,000 in the second quarter of 2001 and $23,000 for the six months ended June 30, 2001, representing the difference in Stratus' investment in the Walden Partnership and its underlying equity at the date of acquisition. Through February 27, 2002, Stratus had recognized $164,000 of a total of $337,000 of deferred income associated with the Walden Partnership. The remaining $0.2 million deferred amount was eliminated in determining the $0.3 million gain on the sale of Stratus' interest in the Walden Partnership.

The following unaudited selected pro forma information presents the results of operations of Stratus as if the Olympus transactions had occurred on January 1 of each of the six-month periods presented. These unaudited pro forma results of operations have been prepared for informational purposes only and do not necessarily reflect the results of operations that would have occurred had the transactions taken place on January 1 of each of the periods presented, or that may result in the future (amounts in thousands, except for per share data).

	Six Months Ended June 30,	
	2002	2001

	--------	--------
Revenue	$ 5,842	$ 11,263
Operating income	42	804
Net income	736	716
Diluted net income per share a	$ 0.43	$ 0.42
Diluted shares outstanding	7,251	7,276

a. Earnings per share data includes the discount on the purchase of Stratus' mandatorily redeemable preferred stock (Notes 1 and 4).

2. LAKEWAY PROJECT
As previously disclosed, in January 2001 Stratus invested $2.0 million in the Lakeway project near Austin, Texas. Since that time Stratus has been the manager and developer of the 552-acre Schramm Ranch tract, receiving both management fees and sales commissions for its services. In the second quarter of 2001, Stratus negotiated the sale of substantially all of the Schramm Ranch property to a single purchaser. In return for Stratus securing the required entitlements, the sale was to be completed in four planned phases. Stratus secured all the remaining necessary entitlements for the Schramm Ranch property in the fourth quarter of 2001. In the first quarter of 2002, the purchaser closed the third of the four planned sale installments. In the second quarter of 2002, the purchaser closed on the fourth and final planned sale installment. In connection with the closings, Stratus received a cash distribution of $0.8 million in May 2002 and a cash distribution of $0.7 million in July 2002. Stratus has received a total of $2.7 million of cash distributions from its involvement in the Lakeway Project, which represents a $1.8 million return of its $2.0 million investment and $0.9 million of income. During the second quarter of 2002, Stratus reported a $46,000 loss within equity in unconsolidated affiliates'income (loss) reflecting of a reduction in its remaining investment basis in the Lakeway Project as a result of market factors and the payment of certain Lakeway property taxes. Stratus is entitled to 40 percent of the future proceeds associated the future sale of a 5-acre commercial tract still remaining at the Schramm Ranch property, which is actively being marketed.

For more information regarding the Lakeway Project see Note 4 of "Notes To Financial Statements" included in Stratus' 2001 Annual Report on Form 10-K.

3. RESTRICTED STOCK
On January 17, 2002, the Board of Directors authorized the issuance of 22,726 restricted stock units (RSUs) that will be converted into 22,726 shares of Stratus common stock ratably on the anniversary date over the next four years. Under Stratus' restricted stock program, shares of its common stock may be

granted to certain officers of Stratus at no cost. Upon issuance of the RSUs, unearned compensation equivalent to the market value at the date of grant of approximately $0.2 million was recorded as deferred compensation in stockholders' equity and will be charged to expense over the four-year period. Stratus has charged approximately $20,000 of this deferred compensation to expense during the six months ended June 30, 2002.

4. EARNINGS PER SHARE
Following is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating basic and diluted net income per share (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Basic net income per share of common stock:				
Net income	$ 376	$ 1,090	$ 742	$ 1,110
Add: Discount on purchase of mandatorily redeemable preferred stock (Note 1)	-	-	2,367	-
Net income applicable to common shareholders	$ 376	$ 1,090	$ 3,109	$ 1,110
Weighted average common shares outstanding	7,116	7,181	7,115	7,184
Basic net income per share of common stock	$0.05	$0.15	$0.44	$0.15
Diluted net income per share of common stock:				
Net Income	$ 376	$ 1,090	$ 742	$ 1,110
Add: Discount on purchase of mandatorily redeemable preferred stock (Note 1)	-	-	2,367	-
Net income applicable to common shareholders	$ 376	$ 1,090	$ 3,109	$ 1,110
Weighted average common shares outstanding	7,116	7,181	7,115	7,184
Dilutive stock options	145	136	136	92
Assumed redemption of preferred stock	-	851	284	851
Weighted average common shares outstanding for purposes of calculating diluted net income per share	7,261	8,168	7,535	8,127
Diluted net income per share of common stock	$0.05	$0.13	$0.41	$0.14

Interest accrued on the convertible debt outstanding totaled approximately $83,000 for the second quarter of 2001 and $174,000 for the six months ended June 30, 2001. Although the debt was convertible into 443,000 shares for the 2001 periods presented, these shares were excluded from the diluted net income per share calculation because the effect of an assumed redemption of the convertible debt was anti-dilutive. Stratus repaid all of its outstanding convertible debt in the second quarter of 2001. There were no dividends accrued or paid on Stratus' mandatorily redeemable preferred stock through February 27, 2002, the date Stratus purchased all the related outstanding shares held by Olympus (Note 2).

Outstanding stock options excluded from the computation of diluted net income per share of common stock because their exercise prices were greater than the average market price of the common stock during the period are as follows:

	Second Quarter	Six Months

	2002	2001	2002	2001
Outstanding options	275,000	273,000	386,000	481,000
Average exercise price	$10.96	$10.97	$10.31	$9.81

5. DEBT OUTSTANDING

At June 30, 2002, Stratus had debt of $47.3 million compared to debt of $25.6 million at December 31, 2001. The increase in debt during the first six months of 2002 included the debt Stratus assumed in connection with its acquisition of Olympus' 50.1 percent ownership interest in 7000 West and the additional borrowings under its credit facility used to fund the Olympus transactions (Note 1). Stratus' debt outstanding at June 30, 2002 consisted of the following:

* $10.0 million of borrowings outstanding under its two unsecured $5.0 million term loans, one of which will mature in December 2005 and the other in July 2006.

* $15.0 million of borrowings under its $25 million revolver component of the Comerica Bank- Texas (Comerica) credit facility, which matures in April 2004.

* $4.2 million of net borrowings under the $5.0 million term loan component of the Comerica facility. During the second quarter Stratus borrowed $4.6 million under the term loan and subsequently repaid $0.4 million of the balance. The Mirador lots are currently serving as collateral for the term loan component of the credit facility.

* $12.8 million of borrowings under the 7000 West project loan that were previously unconsolidated until the purchase of Olympus' 50.1 percent ownership interest in 7000 West. This project loan is scheduled to mature on August 24, 2002; however, Stratus has exercised its option to extend the maturity of the loan by one year to August 24, 2003. The bank has acknowledged that the maturity date has been extended.

* $5.3 million of borrowings under its 7500 Rialto Drive project loan, which matures in June 2003, with an option to extend the loan for one year, if Stratus meets certain leasing and other criteria. Stratus does not currently meet the required conditions to exercise the option to extend the maturity of the project loan. Accordingly, the balance of the loan is reflected as a current liability in the accompanying balance sheet.

The availability under the $30 million Comerica credit facility was reduced to $28.5 million to satisfy the $1.5 million interest reserve account requirement at June 30, 2002. For a discussion of Stratus' bank credit facilities see Note 5 included in the "Notes To Financial Statements" included in its 2001 Annual Report on Form 10-K.

6. RECLASSIFICATIONS, RESTRICTED CASH AND INTEREST COST

Reclassifications. Certain prior year amounts have been reclassified to conform to the year 2002 presentation.

Restricted Cash. At June 30, 2002, Stratus had restricted cash deposits totaling $2.0 million. Approximately $1.8 million of this restricted cash represents funds made available to Stratus' lender as partial payment of Stratus' borrowings outstanding on its $30 million credit facility (see Note 5 of "Notes To Financial Statements" included in Stratus' 2001 Annual Report Form 10-K), that were not applied to Stratus' account until early July 2002. The remaining $0.2 million of restricted proceeds reflects the deposited funds used to purchase the fractional shares of Stratus' common stock resulting from its stock split transactions (see Note 8 of "Notes To Financial Statements" included in Stratus' 2001 Annual Report on Form 10-K).

Interest Costs. Interest expense excludes capitalized interest of $0.5 million in the second quarter of 2002, $0.3 million in the second quarter of 2001, $0.9 million for the first six months of 2002 and $0.5 million for the first six months of 2001.

7. BUSINESS SEGMENTS
As a result of completing transactions between Stratus and Olympus in February 2002 (Note 1), Stratus now has two operating segments, "Real Estate Operations" and "Commercial Leasing." Stratus' commercial leasing segment was established when Stratus acquired Olympus' 50.1 percent interest in 7000 West in February 2002. The commercial leasing segment currently consists of the 140,000-square foot Lantana Corporate Center office complex, which includes two fully-leased 70,000-square foot office buildings. Stratus anticipates that its substantially completed 75,000 square-foot office building at Rialto Drive will be included in the results of the commercial leasing segment beginning in the third quarter of 2002. Stratus' real estate operations segment is comprised of all of its developed and undeveloped properties in Austin, Texas, which consist of its properties in the Barton Creek community, including those acquired from the Barton Creek Joint Venture; its Circle C community properties and the properties in Lantana other than its office buildings. Stratus also owns undeveloped properties in both Houston and San Antonio, Texas.

The segment data presented below was prepared on the same basis as the Stratus consolidated condensed financial statements. Real estate was Stratus' only operating segment until February 27, 2002 as discussed above.

	Real Estate Operations a	Commercial Leasing	Total
Second Quarter 2002:			
Revenues	$ 2,925	$ 652	$ 3,577
Cost of sales	(1,282)	(439)	(1,721)
Depreciation	(30)	(201)	(231)
General and administrative expense	(1,050)	(123)	(1,173)
Operating income (loss)	$ 563	$ (111)	$ 452
Total assets	$ 118,986	$ 23,242	$ 142,228
Six Months Ended June 30, 2002:			
Revenues	$ 4,407	$ 914	$ 5,321
Cost of sales	(2,173)	(553)	(2,726)
Depreciation	(59)	(268)	(327)
General and administrative expense	(2,109)	(247)	(2,356)
Operating income (loss)	$ 66	$ (154)	$ (88)
Capital expenditures	$ 5,310	$ 1,135	$ 6,445

a. Includes sales commissions, management fees and other revenues together with related expenses.

Remarks

The information furnished herein should be read in conjunction with Stratus' financial statements contained in its 2001 Annual Report on Form 10-K. The information furnished herein reflects all adjustments, which are, in the opinion of management, necessary for a fair statement of the results for the periods. All such adjustments are, in the opinion of management, of a normal recurring nature.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

Management's discussion and analysis presented below should be read in conjunction with our discussion and analysis of financial results contained in our 2001 Annual Report on Form 10-K. The operating results summarized in this report are not necessarily indicative of our future operating results.

We acquire, develop, manage and sell commercial and residential real estate almost exclusively in the Austin, Texas area. In February 2002, as a result of completing certain transactions (see "Transactions with Olympus Real Estate Corporation" below), we acquired a 140,000-square-foot office complex that consists of two office buildings located in Austin, Texas. We have also substantially completed a 75,000-square-foot office building in Austin, Texas, which will be ready for occupancy in the third quarter of 2002.

DEVELOPMENT ACTIVITIES

On August 1, 2002, the City of Austin (the City) granted final approval of a development agreement and permanent zoning for our 1,273 acres located within the Circle C community in southwest Austin. These approvals permit development of approximately one million square feet of commercial space, 900 multi-family units and 830 single-family residential lots. The City will also provide us approximately $15 million of future incentives in connection with our future development of our Circle C and other Austin-area properties, including certain waivers of fees and reimbursement for certain infrastructure costs. This development agreement firmly establishes all essential municipal development regulations applicable to Stratus' Circle C properties for thirty years. The Circle C development agreement and related documents were signed and became effective on August 15, 2002.

In the first quarter of 2002, we secured final permitting for the first phase of "Calera Drive," a 212-acre tract within the Barton Creek community. We commenced the development of the initial 19-acre phase of this project, which will include 16 condominium units. Development of the second phase, which will include 53 single-family lots, some of which adjoin the Fazio Canyons golf course, is planned for 2003. Development of the third and last phase, which will include approximately 70 single-family lots, is not anticipated until after 2003.

TRANSACTIONS WITH OLYMPUS REAL ESTATE CORPORATION

In May 1998, we formed a strategic alliance with Olympus Real Estate Corporation (Olympus) to develop certain of our existing properties and to pursue new real estate acquisition and development opportunities. Under the terms of the agreement, Olympus purchased $10 million of our mandatorily redeemable preferred stock, provided us a $10 million convertible debt facility and agreed to make available up to $50 million of additional capital representing its share of direct investments in joint Stratus/Olympus projects.

We subsequently entered into three joint ventures with Olympus, the Oly Stratus Barton Creek I Joint Venture (Barton Creek Joint Venture), the Stratus 7000 West Joint Venture (7000 West) and the Oly Walden General Partnership (Walden Partnership). We owned approximately 49.9 percent of each joint venture and Olympus owned the remaining 50.1 percent. We also served as the developer and manager for each of the joint venture projects. Accordingly, in addition to partnership distributions, we received various development fees, sales commissions and other management fees for our services.

In February 2002 we concluded our business relationship with Olympus, completing the following transactions:

* We purchased our $10.0 million of mandatorily redeemable preferred stock held by Olympus for $7.6 million.
* We acquired Olympus' ownership interest in the Barton Creek Joint Venture for $2.4 million.
* We acquired Olympus' ownership interest in 7000 West for $1.5 million. In connection with this acquisition, we have assumed $12.9 million of debt and included it in our balance sheet at March 31, 2002. We have subsequently repaid approximately $0.1 million of these borrowings and our balance for this loan totaled $12.8 million at June 30, 2002.
* We sold our ownership interest in the Walden Partnership to Olympus for $3.1 million.

At the time of the transactions, the Barton Creek Joint Venture assets included an inventory of 21 estate-sized single-family lots within the Escala Drive subdivision and one single-family lot within the Wimberly Lane subdivision. The 7000 West assets included a 140,000 square-foot office complex consisting of two 70,000 square-foot office buildings that currently fully leased. The Walden Partnership's assets at the time of the sale included 378 single-family lots and 80 acres of undeveloped real estate.

The net cash cost for these transactions was approximately $7.3 million, after considering the approximate $1.1 million in cash we received by acquiring the Barton Creek Joint Venture and 7000 West. We completed the transactions through borrowings available to us under our revolving credit facility agreement (see "Capital Resources and Liquidity" below).

For a detailed discussion of our Olympus transactions see "Joint Ventures with Olympus Real Estate Corporation" and "Olympus Relationship" located within Items 7. and 7A. and Notes 2, 3, 4 and 11 located in our 2001 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Summary operating results follow (in thousands):

	Second Quarter		Six Months	
	2002	2001	2002	2001
Revenues:				
Undeveloped properties:				
Unrelated parties	$ 1,915	$ 6,373	$ 1,915	$ 6,373
Recognition of deferred revenues	-	1,527	-	2,639
Total undeveloped properties	1,915	7,900	1,915	9,012
Developed properties	700	-	1,725	-
Rental income	652	-	914	-
Commissions, management fees and other	310	313	767	627

Total revenues	$ 3,577	$ 8,213	$ 5,321	$ 9,639
Operating income (loss)	$ 452	$ 1,278	$ (88)	$ 1,138
Net income	$ 376	$ 1,090	$ 742	$ 1,110

Operating Results

Our revenues during the second quarter of 2002 totaled $3.6 million, which included the sale of 19 acres of undeveloped multi-family real estate in San Antonio, Texas, the sale of two residential estate lots at the Mirador subdivision within the Barton Creek community in Austin, Texas, and management fees and sales commissions. Our rental income during the second quarter of 2002 included rental income from the two fully-leased office buildings held by 7000 West, which was acquired in the Olympus transactions (see above). Our revenues for the second quarter of 2001 totaled $8.2 million, which included the sale of 112 acres of undeveloped residential property in Houston, Texas ($2.7 million), the sale of 10 acres of undeveloped multi-family property in Dallas, Texas ($1.7 million), and one 17-acre undeveloped tract sale in Austin, Texas ($2.0 million). Our revenues during the second quarter of 2001 also included the recognition of previously deferred revenues primarily associated with the sale of the multi-family tract at Rialto Drive within the Lantana Project in southwest Austin as discussed further below, and management fees and sales commissions. See below for a discussion regarding our commissions, management fees and other revenues.

Our revenues for the six months ended June 30, 2002 totaled $5.3 million compared with $9.6 million during the comparable period in 2001. In addition to our second-quarter sales discussed above, our revenues during the first half of 2002 included the sale of two Escala Drive residential estate lots in March 2002. We also recorded rental income during March 2002 following our acquisition of 7000 West. Our revenues during the first half of 2001 included an additional $1.1 million recognition of previously deferred revenues, as further discussed below, and $0.3 million of management fees and sales commissions during the first quarter of 2001.

The majority of the deferred revenue recognized during the first half of 2001 was associated with the sale of a 36.4-acre multi-family Lantana tract in December 2000. In this transaction

we sold the property for $5.3 million, but deferred $3.5 million of the revenues and $1.6 million of the related operating income. We recognized a pro rata portion of these deferred amounts as the required infrastructure construction was completed. During the first half of 2001, our construction activities resulted in our recognizing $2.6 million of the deferred revenues and $1.2 million of the operating income during that period. See "Results of Operations" included within Items 7. and 7A. of our 2001 Annual Report on Form 10-K for a discussion regarding the completion of construction and full recognition of this deferred revenue and related gain during 2001.

When we sold real estate to an entity we jointly owned with Olympus, we deferred recognizing revenues from the sale related to our ownership interest until sales were made to unrelated parties. The sale of two Wimberly Lane single-family homesites by the Barton Creek Joint Venture during the first quarter of 2001 resulted in our recognition of previously deferred revenues of less than $0.1 million for the period. There were no sales by the Barton Creek Joint Venture during the second quarter of 2001. In connection with our transactions with Olympus in February 2002, we reduced the carrying amount of the related real estate by $1.1 million of deferred gain associated with our previous land sales to the Barton Creek Joint Venture and by $0.8 million of deferred gain associated with our previous land sales to 7000 West.

Commissions, management fees and other revenues totaled $0.3 million during the second quarter of 2002 and $0.8 million for the six months ended June 30, 2002 compared with $0.3 million and $0.6 million during the comparable periods of 2001. The increase during the first half of 2002 from the same period last year primarily reflects the commissions earned on the sale of two Escala Drive lots in March 2002 and the sale of two lots at Mirador during the second quarter of 2002, which represented the first lots sold in the subdivision. We sold no Escala Drive lots during the first half of 2001. Our management fees also include fees associated with our management of the 2,200-acre Lakeway Project, near Austin, Texas (see "Capital Resources and Liquidity" below).

Cost of sales totaled $2.0 million during the second quarter of 2002 compared with $5.5 million during the second quarter of 2001. The decrease in the comparable periods reflects the substantial amount of undeveloped property sales during the second quarter of 2001. The decrease in cost of sales relating to our undeveloped property sales during the second quarter of 2002 was partially offset by the costs of the initial lot sales at the Mirador subdivision as well as the three months of costs associated with the two office buildings we acquired in February 2002. The results of both the Barton Creek Joint Venture and 7000 West were unconsolidated before February 27, 2002. Our cost of sales for the six months ended June 30, 2002 totaled $3.1 million compared with $6.0 million for the same period last year. The decrease reflects the higher sales during the second quarter of 2001 as discussed above. Our cost of sales during the first half of 2002 also include the costs associated with the two estate lots sold at Escala Drive during the first quarter of 2002 and the costs associated with the two office buildings at 7000 West.

Our general and administrative expense totaled $1.2 million during the second quarter of 2002 and $2.4 million for the six months ended June 30, 2002 compared with $1.4 million during the second quarter of 2001 and $2.5 million for the six months ended June 30, 2001. The decrease in the general and administrative expenses reflects our ongoing efforts to reduce costs. Our general and administrative expense during the six months ended June 30, 2002 included certain costs associated with completing the transactions with Olympus.

Non-Operating Results

Interest expense, net of capitalized interest, totaled $0.2 during the second quarter of 2002 and six months ended June 30, 2002 compared with $0.4 million during the second quarter of 2001 and $0.5 million for the six months ended June 30, 2001. Capitalized interest totaled $0.5 million in the second quarter of 2002 and $0.9 million for the six months ended June 30, 2002. Capitalized interest totaled $0.3 million in the second quarter of 2001 and $0.5 million for the six months ended June 30, 2001. The increase in capitalized interest reflects the higher average balance of our borrowings outstanding during 2002 over amounts outstanding during the comparable 2001 periods, partially offset by a decrease in our current development activities (see "Capital Resources and Liquidity" below).

Other income totaled $0.3 million during the six months ended June 30, 2002, which represented the gain from the sale of our interest in the Walden Partnership (see "Transactions with Olympus Real Estate Corporation" above). Other income during the first half of 2001 totaled $0.2 million, which resulted from an adjustment to our workers compensation insurance accrual.

CAPITAL RESOURCES AND LIQUIDITY

Net cash provided by operating activities totaled $3.4 million during the six months ended June 30, 2002 and $2.8 million during the six months ended June 30, 2001. Cash used in investing activities totaled $5.6 million during the six months ended June 30, 2002 compared with $16.1 million during the same period last year, reflecting a decrease in our net real estate and facilities expenditures because of the current reduction of our development activities. Also, during the first quarter of 2001 we made a $2.0 million investment in the Lakeway project, near Austin, Texas. During the second quarter of 2002, we received a $0.8 million cash disbursement from the Lakeway Project, which resulted in the return of $0.5 million of our investment in the project (see below). Our investing activities during 2002 also reflect the receipt of $0.4 million of net cash proceeds in connection with the closing of the Olympus transactions in February 2002 (see "Transactions with Olympus Real Estate Corporation" above).

Our financing activities provided cash of $1.3 million during the six months ended June 30, 2002 compared with $7.3 million during the same period last year. During the first half of 2002 our financing activities reflected $7.1 million of net borrowings under our revolving line of credit, which included the $7.3 million required to fund the closing of the transactions with Olympus in February 2002 (see "Transactions with Olympus Real Estate Corporation" above). We borrowed $1.8 million under our 7500 Rialto Drive project loan during the first six months of 2002. We also purchased our mandatorily redeemable preferred stock held by Olympus for $7.6 million. The cash provided by our financing activities during the first half of 2001 represented $5.8 million of net borrowings under our revolving line of credit, $5.0 million borrowing under an unsecured term loan offset in part by the repayment of the entire $3.2 million balance under our previous convertible debt facility with Olympus (see Note 2 of "Notes To Financial Statements included in our 2001 Annual Report on Form 10-K).

At June 30, 2002, we had debt of $47.3 million compared to debt of $25.6 million at December 31, 2001. The increase in debt during the first six months of 2002 included the $12.9 million of debt we assumed in connection with our acquisition of Olympus' 50.1 percent ownership interest in 7000 West and the additional borrowings under our revolving line of credit used to fund the Olympus transactions (see "Transactions with Olympus Real Estate Corporation" above). Our debt outstanding at June 30, 2002 consisted of the following:

* $10.0 million of borrowings outstanding on our two unsecured $5.0 million term loans, one of which will mature in December 2005 and the other in July 2006.

* $15.0 million of borrowings under our $25.0 million ($23.5 million currently available, see below) revolver component of the Comerica Bank- Texas (Comerica) credit facility, which matures in April 2004.

* $4.2 million of net borrowings under the $5.0 million term loan component of the Comerica facility. During the second quarter we borrowed $4.6 million under the term loan and subsequently repaid $0.4 million of the balance. The Mirador lots are currently serving as collateral for the term loan component of the credit facility.

* $12.8 million of borrowings under the 7000 West project loan that were previously unconsolidated until we purchased Olympus' 50.1 percent ownership interest in 7000 West. This project loan was scheduled to mature on August 24, 2002; however, we exercised our option to extend the maturity of the loan by one year to August 24, 2003. The bank has acknowledged that the maturity date has been extended.

* $5.3 million of borrowings under our 7500 Rialto Drive project loan, which matures in June 2003, with an option to extend the loan for one year, if we meet certain leasing and other criteria. We do not currently meet the required conditions

to exercise the option to extend the maturity of the project loan. Accordingly, the balance of the loan is reflected as a current liability in the accompanying balance sheet.

The availability under the $30 million Comerica credit facility was reduced to $28.5 million to satisfy the $1.5 million interest reserve account requirement at June 30, 2002. For a discussion of our bank credit facilities see Note 5 included in the "Notes To Financial Statements" included in our 2001 Annual

Report on Form 10-K.

Since mid-1998, we have provided development, management, operating and marketing services for the Lakeway project near Austin, Texas, which is owned by Commercial Lakeway Limited Partnership, an affiliate of Credit Suisse First Boston, for a fixed monthly fee. In January 2001, we entered into an expanded development management agreement with Commercial Lakeway Limited Partnership covering a 552-acre portion of the Lakeway development known as Schramm Ranch, and we contributed $2.0 million as an investment in this project. Under the agreement, we receive enhanced management and development fees and sales commissions, as well as a net profits interest in the project. Lakeway project distributions are made to us as sales installments close.

In the second quarter of 2001, we negotiated the sale of substantially all the Schramm Ranch property to a single purchaser. In return for our securing the required entitlements, the sale was to be completed in four planned phases. We secured all the remaining necessary entitlements for the Schramm Ranch property in the fourth quarter of 2001. During the first half of 2002, the purchaser closed on the third sale installment in March 2002 and on the fourth and final sale installment in June 2002. In connection with the third sales installment, we received a cash distribution of $0.8 million in May 2002 and we received a cash distribution of $0.7 million associated with the fourth sales installment in July 2002. We have now received a total of $2.7 million of cash distributions from the Lakeway project, which represents a $1.8 million return of our $2.0 million investment and $0.9 million of income. We are entitled to 40 percent of the future proceeds associated with the future sale of a 5-acre commercial tract still remaining at the Schramm Ranch property, which is being actively marketed.

Our future operating cash flows and, ultimately, our ability to develop our properties and expand our business will be largely dependent on the level of our real estate sales. In turn, these sales will be significantly affected by future real estate values, regulatory issues, development costs, interest rate levels and our ability to continue to protect our land use and development entitlements. Significant development expenditures remain to be incurred for our Austin-area properties prior to their eventual sale. As a result of our settlement of certain entitlement and reimbursement issues with the City during 2000, we initiated a plan to develop a significant portion of our Austin-area properties and incurred capital expenditures for 2001 totaling $23.1 million. Capital expenditures for the first half of 2002 totaled $6.4 million compared to $14.1 million during the first half of 2001.

As a result of our development activities and our acquisition of the Barton Creek Joint Venture, we now have an adequate inventory of developed lots to satisfy the near-term demand for estate lots in Austin, as well as an additional 75,000 square feet of office space ready for leasing as the Austin economy starts its expected recovery after a very poor year during 2001. Accordingly, although we will continue to develop our Austin-area properties, we will do so at a much more conservative pace during 2002 as we continue to monitor the economic environment in Austin.

We are continuing to actively pursue additional development and management fee opportunities, both individually and through our existing relationships with institutional capital sources. We also believe we can obtain bank financing at a reasonable cost for developing our properties. However, obtaining land acquisition financing is generally expensive and uncertain.

CAUTIONARY STATEMENT

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements regarding anticipated sales, debt repayments, future reimbursement for infrastructure costs, future events related to financing and regulatory matters, the expected results of our business strategy and other plans and objectives of management for future operations and activities. Important factors that could cause actual results to differ materially from our expectations include economic and business conditions, business opportunities that may be presented to and pursued by us, changes in laws or regulations and other factors, many of which are beyond our control, that are described in more detail under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2001.

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings
SOS LITIGATION: The Save Our Springs Alliance and Circle C Neighborhood Association vs. The City of Austin, Circle C Land Corp., and Stratus Properties Inc., Cause No. GN 202018 (Travis County 261st Judicial District Court of Texas filed June 24, 2002). In an effort to prevent the City of Austin and Stratus Properties Inc. from reaching a settlement concerning development of the Circle C Project, the Save Our Springs Alliance, a non-profit public-interest corporation, and the Circle C Neighborhood Association, an unincorporated association, filed a lawsuit against the City of Austin, Stratrus Properties Inc., and its subsidiary, Circle C Land Corp. on June 24, 2002. In their petition, Plaintiffs request judicial declarations that (i) the city of Austin's Save Our Springs Ordinance is exempt from Chapter 245 of the Texas Local Government Code ("Chapter 245"); (ii) Chapter 245 is an unconstitutional intrusion of the municipal authority of Texas home-rule cities; (iii) under the Texas Constitution, the City of Austin has the authority and duty to apply the SOS Ordinance and its zoning authority to Stratus' Circle C properties; and (iv) residents of the Circle C community, including Plaintiffs, are entitled to full application of the City's current watershed protection ordinances and the City's zoning powers. Stratus believes that the Plaintiffs' claims have either been previously adjudicated or are moot as a result of the City and Stratus reaching a settlement and will vigorously defend its position.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) Our Annual Meeting of Stockholders was held May 16, 2002 (the Annual Meeting). Proxies were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

(b) At the Annual Meeting Michael D. Madden was elected to serve until the 2005 Annual Meeting of Stockholders. In addition to the director elected at the Annual Meeting, the terms of the following directors continued after the Annual Meeting: William H. Armstrong III and James C. Leslie.

(c) At the Annual Meeting, holders of Stratus' Common Stock elected one director with the number of votes cast for or withheld from the nominee as follows:

Name	For	Withheld
Michael D. Madden	6,575,870	92,295

With respect to the election of the director, there were no abstentions or broker no-votes.

At the Annual Meeting, the stockholders voted on and approved a proposal to adopt Stratus' 2002 Stock Incentive Plan in the form presented in Stratus' proxy statement dated April 1, 2002. Holders of 6,067,604 shares voted for, holders of 571,205 shares voted against and holders of 29,356 shares abstained from voting on the proposal. There were no broker non-votes with respect to the proposal.

Item 6. Exhibits and Reports on Form 8-K.

(a) The exhibits to this report are listed in the Exhibit Index beginning on page E-1 hereof.

(b) During the period covered by this Quarterly Report on Form 10-Q and through August 19, 2002, the registrant filed one Current Report on Form 8-K reporting an event under Item 5 dated May 16, 2002 and two Current Reports on Form 8-K reporting an events under Item 4 dated July 15, 2002 and August 14, 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATUS PROPERTIES INC.

By: /s/ C. Donald Whitmire, Jr.

C. Donald Whitmire, Jr.
Vice President - Controller
(authorized signatory and
Principal Accounting Officer)

Date: August 19, 2002

STRATUS PROPERTIES INC.
EXHIBIT INDEX

Exhibit
Number

3.1 Amended and Restated Certificate of Incorporation of Stratus. Incorporated by reference to Exhibit 3.1 to Stratus' 1998 Form 10-K.

3.2 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Stratus. Incorporated by reference to Exhibit 3.2 to Stratus' 2001 Form 10-K.

3.3 By-laws of Stratus, as amended as of February 11, 1999. Incorporated by Reference to Exhibit 3.2 to Stratus' 1998 Form 10-K.

4.1 The loan agreement by and between Comerica Bank-Texas and Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land Corp. and Austin 290 Properties Inc. dated December 21, 1999. Incorporated by reference to Exhibit 4.4 to Stratus 1999 Form 10-K.

4.2 Rights Agreement, dated as of May 16, 2002, between Stratus and Mellon Investor Services LLP, as Rights Agent, which includes the Certificates of Designation of Series C Participating Preferred Stock; the Forms of Rights Certificate Assignment, and Election to Purchase; and the Summary of Rights to Purchase Preferred Shares. Incorporated by reference to Exhibit 4.1 to Stratus Registration Statement on Form 8-A dated May 22, 2002.

10.1 Development and Management Agreement dated and effective as of June 1, 1991 by and between Longhorn Development Company and Precept Properties, Inc. (the "Precept Properties Agreement"). Incorporated by reference to Exhibit 10.8 to Stratus' 1992 Form 10-K.

10.2 Assignment dated June 11, 1992 of the Precept Properties Agreement by and among FTX (successor by merger to FMI Credit Corporation, as successor by merger to Longhorn Development Company), the Partnership and Precept Properties, Inc. Incorporated by reference to Exhibit 10.9 to Stratus' 1992 Form 10-K.

10.3 Construction Loan Agreement dated April 9, 1999 by and between Stratus 7000 West Joint Venture and Comerica Bank-Texas. Incorporated by Reference to Exhibit 10.13 to Stratus' 2001 Form 10-K.

10.4 Modification Agreement dated August 16, 1999, by and between Comerica Bank-Texas, as lender, Stratus 7000 West Joint Venture, as borrower and Stratus Properties Inc., as guarantor. Incorporated by Reference to Exhibit 10.14 to Stratus' 2001 Form 10-K.

10.5 Construction Loan Agreement dated February 24, 2000 by and between Stratus 7000 West Joint Venture and Comerica Bank-Texas. Incorporated by Reference to Exhibit 10.15 to Stratus' 2001 Form 10-K.

10.6 Second Amendment to Construction Loan Agreement dated December 31, 1999 by and between Stratus 7000 West Joint Venture, as borrower, Stratus Properties Operating Co., L.P. and Stratus Properties Inc., as Guarantors, and Comerica Bank-Texas. Incorporated by Reference to Exhibit 10.16 to Stratus' 2001 Form 10-K.

10.7 Second Modification Agreement dated February 24, 2000 by and between Comerica Bank-Texas, as lender, and Stratus 7000 West Joint Venture, as borrower, and Stratus Properties Inc., as guarantor. Incorporated by Reference to Exhibit 10.17 to Stratus' 2001 Form 10-K.

10.8 Third Modification Agreement dated August 23, 2001 by and between Comerica Bank-Texas, as lender, Stratus 7000 West Joint Venture, as Borrower and Stratus Properties Inc., as guarantor. Incorporated by Reference to Exhibit 10.18 to Stratus' 2001 Form 10-K.

10.9 Guaranty Agreement dated December 31, 1999 by and between Stratus Properties Inc. and Comerica Bank-Texas.

Incorporated by reference to Stratus' Quarterly Report on Form 10-Q for the Quarter ended March 31, 2000.

10.10 Guaranty Agreement dated February 24, 2000 by and between Stratus Properties Inc. and Comerica Bank-Texas. Incorporated by reference to Stratus' Quarterly Report on Form 10-Q for the Quarter ended March 31, 2000.

10.11 Development Management Agreement by and between Commercial Lakeway Limited Partnership, as owner, and Stratus Properties Inc., as development manager, dated January 26, 2001. Incorporated by reference to Exhibit 10.18 to the

Stratus 2001 First Quarter 10-Q.

10.12 Amended Loan Agreement dated December 27, 2000 by and between Stratus Properties Inc. and Comerica-Bank Texas. Incorporated by reference to Exhibit 10.19 to the Stratus 2000 Form 10-K.

10.13 Second Amendment to Loan Agreement dated December 18, 2001 by and among Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land Corp. and Austin 290 Properties Inc. collectively as borrower and Comerica Bank-Texas, as lender. Incorporated by Reference to Exhibit 10.23 to Stratus' 2001 Form 10-K.

10.14 Loan Agreement dated December 28, 2000 by and between Stratus Properties Inc. and Holliday Fenoliglio Fowler, L.P., subsequently assigned to an affiliate of First American Asset Management. Incorporated by reference to Exhibit 10.20 to the Stratus 2000 Form 10-K.

10.15 Loan Agreement dated June 14, 2001, by and between Stratus Properties Inc. and Holliday Fenoliglio Fowler, L.P., subsequently assigned to an affiliate of First American Asset Management. Incorporated by reference to Exhibit 10.22 to Stratus' Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

10.16 Construction Loan Agreement dated June 11, 2001 between 7500 Rialto Boulevard, L.P. and Comerica Bank-Texas. Incorporated by Reference to Exhibit 10.26 to Stratus' 2001 Form 10-K.

10.17 Guaranty Agreement dated June 11, 2001 by Stratus Properties Inc. in favor of Comerica Bank-Texas. Incorporated by Reference to Exhibit 10.27 to Stratus' 2001 Form 10-K.

10.18 Stratus' Performance Incentive Awards Program, as amended effective February 11, 1999. Incorporated by reference to Exhibit 10.18 to Stratus' 1998 Form 10-K.

10.19 Stratus Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.9 to Stratus' 1997 Form 10-K.

10.20 Stratus 1996 Stock Option Plan for Non-Employee Directors, as amended. Incorporated by reference to Exhibit 10.10 to Stratus' 1997 Form 10-K.

10.21 Stratus Properties Inc. 1998 Stock Option Plan as amended effective February 11, 1999. Incorporated by reference to Exhibit 10.21 to Stratus' 1998 Form 10-K.