

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*<br><u>ARMSTRONG WILLIAM H III</u><br><br>(Last) (First) (Middle)<br><u>98 SAN JACINTO BOULEVARD, STE 220</u><br><br>(Street)<br><u>AUSTIN TX 78701</u><br><br>(City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol<br><u>STRATUS PROPERTIES INC [ STRS ]</u> | 5. Relationship of Reporting Person(s) to Issuer<br>(Check all applicable)<br><br><input checked="" type="checkbox"/> Director 10% Owner<br><br><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)<br><u>Chair of Board, President, CEO</u> |
|                                                                                                                                                                                                                             | 3. Date of Earliest Transaction (Month/Day/Year)<br><u>08/23/2005</u>                 |                                                                                                                                                                                                                                                                               |
| 4. If Amendment, Date of Original Filed (Month/Day/Year)                                                                                                                                                                    |                                                                                       |                                                                                                                                                                                                                                                                               |

**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                    | 08/23/2005                           |                                                    | M                              |   | 25,000                                                            | A          | \$3.63   | 98,786                                                                                        | D                                                        |                                                       |
| Common Stock <sup>(2)</sup>     | 08/23/2005                           |                                                    | F <sup>(3)</sup>               |   | 10,296                                                            | D          | \$18.125 | 88,490                                                                                        | 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                                         | Expiration Date |                                                                                   |                                            |                                                                                                    |                                                           |                                                        | Title |
| Option (right to buy)                      | \$3.63                                                 | 08/23/2005                           |                                                    | M                              |   |                                                                                        | 25,000 | 11/07/1996 <sup>(1)</sup>                                | 11/07/2005      | Common Stock                                                                      | 25,000                                     | \$0                                                                                                | 0                                                         | D                                                      |       |

**Explanation of Responses:**

- 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
- Amount beneficially owned following the reported transactions includes 45,909 Common Stock Restricted Stock Units.
- Shares withheld and delivered in payment of the exercise price of options and resulting taxes.

Kelly C. Simoneaux, on behalf  
of William H. Armstrong III 08/25/2005  
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.