

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>12/27/2006</b>			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		
98 SAN JACINTO BOULEVARD, STE 220			4. If Amendment, Date of Original Filed (Month/Day/Year)					
(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	12/27/2006		M		40,000	A	\$12.38	256,081	D	
Common Stock	12/27/2006		M		2,500	A	\$8.69	258,581	D	
Common Stock	12/27/2006		M		46,000	A	\$9.25	304,581	D	
Common Stock	12/27/2006		M		34,500	A	\$10.555	339,081	D	
Common Stock	12/27/2006		M		17,500	A	\$16.015	356,581	D	
Common Stock	12/27/2006		M		67,500	A	\$9.44	424,081	D	
Common Stock <sup>(7)</sup>	12/27/2006		F <sup>(8)</sup>		121,123	D	\$31.197	302,958	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					
Option (right to buy)	\$12.38	12/27/2006		M			40,000	05/14/1999 <sup>(1)</sup>	05/14/2008	Common Stock	\$0	0	D	
Option (right to buy)	\$8.69	12/27/2006		M			2,500	02/10/2001 <sup>(2)</sup>	02/10/2010	Common Stock	\$0	0	D	
Option (right to buy)	\$9.25	12/27/2006		M			46,000	12/17/2003 <sup>(3)</sup>	12/17/2012	Common Stock	\$0	0	D	
Option (right to buy)	\$10.555	12/27/2006		M			34,500	12/17/2004 <sup>(4)</sup>	12/17/2013	Common Stock	\$0	11,500	D	
Option (right to buy)	\$16.015	12/27/2006		M			17,500	12/30/2005 <sup>(5)</sup>	12/30/2014	Common Stock	\$0	52,500	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)	\$9.44	12/27/2006		M			67,500	12/21/2001 <sup>(6)</sup>	12/21/2010	Common Stock	67,500	\$0	0	D	

**Explanation of Responses:**

1. 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
2. 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
3. 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
4. 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
5. 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
6. 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.
7. Amount beneficially owned following the reported transactions includes 57,250 Common Stock Restricted Stock Units.
8. 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      12/29/2006  
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.**