

ARMSTRONG WILLIAM H III
 Form 4
 December 29, 2006

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL
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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 OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 ARMSTRONG WILLIAM H III

2. Issuer Name and Ticker or Trading Symbol
 STRATUS PROPERTIES INC
 [STRS]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)
 ___ Director ___ 10% Owner
 ___ Officer (give title below) ___ Other (specify below)
 Chair of Board, President, CEO

(Last) (First) (Middle)
 98 SAN JACINTO BOULEVARD,
 STE 220
 (Street)

3. Date of Earliest Transaction
 (Month/Day/Year)
 12/27/2006

AUSTIN, TX 78701

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 X Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

(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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| Common Stock | | | | (A) or (D) | Price | | |
| 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 |
| | | | | | | 3,250 | I IRA for self |

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| | | | | | | | |
|-----------------------------|------------|------------------|---------|---|-----------|---------|---|
| 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 ⁽⁷⁾ | 12/27/2006 | F ⁽⁸⁾ | 121,123 | D | \$ 31.197 | 302,958 | D |

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

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 control number.

SEC 1474
(9-02)

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 Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Option (right to buy) | \$ 12.38 | 12/27/2006 | | M | 40,000 | 05/14/1999 ⁽¹⁾ 05/14/2008 | Common Stock | 40,000 |
| Option (right to buy) | \$ 8.69 | 12/27/2006 | | M | 2,500 | 02/10/2001 ⁽²⁾ 02/10/2010 | Common Stock | 2,500 |
| Option (right to buy) | \$ 9.25 | 12/27/2006 | | M | 46,000 | 12/17/2003 ⁽³⁾ 12/17/2012 | Common Stock | 46,000 |
| Option (right to buy) | \$ 10.555 | 12/27/2006 | | M | 34,500 | 12/17/2004 ⁽⁴⁾ 12/17/2013 | Common Stock | 34,500 |
| Option (right to buy) | \$ 16.015 | 12/27/2006 | | M | 17,500 | 12/30/2005 ⁽⁵⁾ 12/30/2014 | Common Stock | 17,500 |
| Option (right to buy) | \$ 9.44 | 12/27/2006 | | M | 67,500 | 12/21/2001 ⁽⁶⁾ 12/21/2010 | Common Stock | 67,500 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|--------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| ARMSTRONG WILLIAM H III 98 SAN JACINTO BOULEVARD, STE 220 AUSTIN, TX 78701 | | | Chair of Board, President, CEO | |

Signatures

Kelly C. Simoneaux, on behalf of William H. Armstrong III pursuant to a power of attorney 12/29/2006

__Signature of Reporting Person

Date

Explanation of Responses:

- * 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).
- (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.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.