

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 <sup>(7)</sup>	12/27/2006	F <sup>(8)</sup>	121,123	D	\$ 31.197	302,958	D

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

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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)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option (right to buy)	\$ 12.38	12/27/2006		M	40,000	05/14/1999 <sup>(1)</sup>	05/14/2008	Common Stock	40,000
Option (right to buy)	\$ 8.69	12/27/2006		M	2,500	02/10/2001 <sup>(2)</sup>	02/10/2010	Common Stock	2,500
Option (right to buy)	\$ 9.25	12/27/2006		M	46,000	12/17/2003 <sup>(3)</sup>	12/17/2012	Common Stock	46,000
Option (right to buy)	\$ 10.555	12/27/2006		M	34,500	12/17/2004 <sup>(4)</sup>	12/17/2013	Common Stock	34,500
Option (right to buy)	\$ 16.015	12/27/2006		M	17,500	12/30/2005 <sup>(5)</sup>	12/30/2014	Common Stock	17,500
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

## 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.