OASIS

October 6, 2020

Dear Fellow Shareholders,

Oasis Management Company Ltd. ("Oasis") is the manager to a fund that is the largest shareholder of Stratus Properties Inc. (NASDAQ: STRS) (the "Company" or "Stratus"), owning over 13.5% of Stratus ordinary shares.

Oasis initially invested in Stratus because we believed that the Company had an attractive portfolio of assets that were significantly undervalued by the market. At the time of our investment, Stratus had recently announced a five-year plan which they proclaimed to be "simple and clear: the Company will strategically complete development of its properties with the goal of selling assets at the right time to maximize value for all stockholders over a five-year period. Upon completion of that plan, the Company will distribute to stockholders the cumulative cash from sales proceeds." We bought our shares based upon that plan.

To help the Company maximize shareholder value, and hold management accountable for executing their plan, Oasis entered into an agreement with Stratus pursuant to which Ella Benson, an employee of an Oasis advisory affiliate, was appointed to Stratus' Board of Directors and the Company's Compensation Committee on January 11, 2017. Since joining the Board, Ms. Benson has been successful in eliminating Stratus' poison pill, urging for the payout of a special dividend, initiating quarterly investor conference calls and, to a degree, realigning executive compensation to reward management for selling real estate projects.

However, over the past several months, Ms. Benson has had serious disagreements with Stratus' strategic direction and the progress made on the execution of the five-year plan leading to her resignation from the Board effective Friday, September 18, 2020.

Over the last several months, Oasis and Ms. Benson have grown increasingly disappointed with Stratus' strategic direction, accountability and leadership. Stratus' five-year plan expired in March 2020. Over the plan's five years, the Company sold only three significant assets and returned only $1/share in the form of a special dividend to shareholders. This return represents less than 2% of the Company's disclosed NAV per share. We believe this result is not in keeping with the plan that Stratus originally laid out to shareholders and falls far short of the Company's promise "to monetize a large portion of its assets on an orderly basis over the next five years and return cash to its shareholders," as was communicated in its April 2015 investor presentation.

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With the expiration of Stratus' five-year plan in March 2020, it became clear that despite Oasis' objections, the Company refused to develop or disclose a new disposal plan that would return cash to shareholders. In fact, Stratus' contemplated REIT conversion is a stark departure from its previously communicated strategy, as it effectively halts asset disposals and associated shareholder returns through at least 2027. Furthermore, contrary to the Company's claims, it is not apparent that a REIT structure will create value for Stratus' shareholders when considering Stratus' size, asset mix, cashflow profile and other characteristics. It is our view that a more thorough analysis of these factors should have been considered prior to committing to the significant costs associated with an in-depth exploration of a REIT conversion. Additionally, other changes such as cost-cutting initiatives which require significantly less time and financial resources than a REIT conversion should have been evaluated as potential methods to create shareholder value. However, when Ms. Benson made these suggestions and urged a more thoughtful decision-making process with additional analysis, the Stratus Board dismissed her suggestions and decided to move forward with the REIT consideration.

This shift in business strategy combined with the lack of decisive actions to improve the shareholder returns and the rejection of Oasis' views without a thorough analysis led us to conclude that Stratus needs to consider making changes to its Board of Directors. In a letter from Ms. Benson to Mr. Armstrong, the Company's Chairman, dated September 2, 2020, Oasis sought to work collaboratively to refresh the extraordinarily long-tenured Board with independent and diverse directors who have the proper skillset to oversee and guide the Company forward. Despite a very strong Austin real estate market, Stratus's stock price has gone nowhere since 2005. The Board has refused to hold management accountable for its failure to execute the five-year plan. We believe the only way to realize value is new supervision and management to guide this company forward.

Stratus formed a special committee to address Ms. Benson's letter, but excluded Ms. Benson from the committee on the view that she had a conflict of interest due to her association with Oasis, even though Oasis' only interest is as a stockholder. However, Stratus apparently saw no conflict of interest in including all three Directors that Oasis identified as overly-long-tenured or ideal for replacement on the special committee. This is like having a trial in which the defendants are also invited to serve on the jury. Ironically, Ms. Benson's exclusion further highlights the very corporate governance and other issues that Oasis identified – namely, a lack of diversity, accountability, and independence on Stratus' Board, and a board that we believe has placed self-perpetuation ahead of shareholders' best interests in its decision-making on multiple occasions. This is the same Board and leadership team that we understand to have failed to properly engage with bids for the company at significant premiums to the stock price. In some cases, we understand the CEO did not even bring those approaches to the Board. This Board also reinstated the Company's poison pill upon Ms. Benson's resignation.

Specifically, Stratus stated that the poison pill was put into effect "to ensure shareholders have the benefit of the previously announced exploration of a potential conversion to a REIT." The Company goes on to explain that "in order to qualify as a REIT, among other requirements, not more than 50% of a company's shares may be beneficially owned by five or fewer individuals." Based on this explanation, it would seem that the poison pill trigger goes beyond the ownership limitations of a REIT by limiting any person or group from owning more than 9.8%, versus REIT guidelines that apply to an individual's ownership. This contrast invalidates Stratus' claim that the poison pill was enacted to preserve the Company's REIT optionality and protect shareholders. Also, if the REIT conversion was truly in the best interest of shareholders, it is unclear why the Company is so concerned that these same shareholders would try to block this transaction. Rather than protect shareholders, we believe that the poison pill only does harm as it repels potential takeovers and seeks to intimidate shareholders from working together for a common interest. Make no mistake, we do not believe that shareholders' best interests are a motivating factor in the decisions made by Stratus' current Board of Directors.

Although Stratus' press release dated September 21 said that the Company is exploring changes to the Board and overall governance and presented the Board as people acting in good faith, we believe that the Company's track record demonstrates that these claims have no credibility. Despite all of the Company's stated initiatives over the years to maximize shareholder returns, the stock remains flat to 2005, while Austin real estate is up 106% over the same period[1].

Although the content of any Board discussions is confidential and cannot be revealed, Ms. Benson's opinion is that the Board's disclosure is not out of a genuine reform belief. The Company continues to have problematic corporate governance practices and is reluctant to commit real resources to a Board refresh examination, as exemplified by the pointless exercise of the special committee that belies Stratus' public statements. Do not be fooled.

Stratus' behavior forced Ms. Benson to resign from the Board, and compelled Oasis to terminate the Board Representation and Standstill Agreement between Oasis and Stratus in order to free Oasis from the strict limitations it agreed to in exchange for a board seat back in 2017 when we still believed the Company would be open-minded. Now, with more flexibility, we believe that we are well positioned to effectuate change and help the Company deliver the returns that have eluded Stratus' shareholders for so long. We seek accountability for the failure to execute on the original five-year plan. We are frustrated by the strategic change of path to now evaluate a REIT

[1] Based on multifamily, office, and retail transaction data from REIS.

conversion, the implementation of an onerous poison pill, and the overall failure of leadership to drive shareholder value or to even engage when presented with buyout offers that would maximize shareholder value.

The time has come for change. We look forward to discussing these changes with you in our journey to create a better Stratus for all stakeholders.

Best regards,

Ella Benson