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## Sterling Organization Poised to Cash In on 4,000 Amp Power Play at San Francisco Industrial Asset

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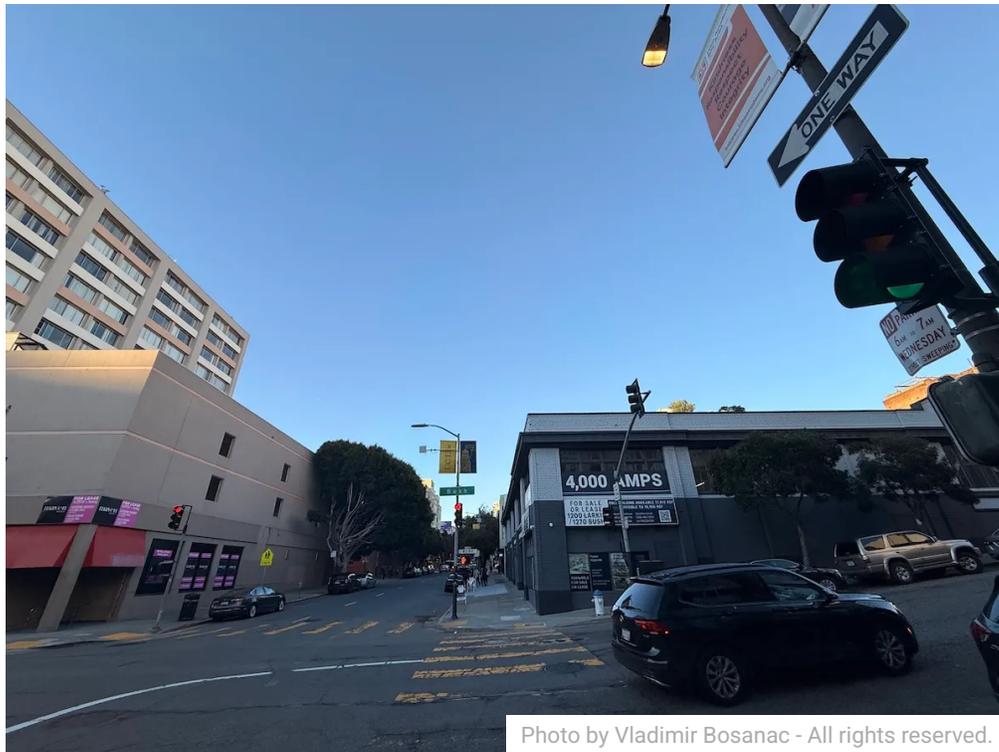


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*Early infrastructure investment in 37,812-square-foot property now commanding premium rents as power scarcity grips San Francisco market*

A three-year, \$3 million investment in electrical infrastructure that Sterling Organization began when it acquired a former Firestone auto center in 2021 is now positioning the Florida-based firm to capitalize on surging demand for power-ready industrial space in San Francisco.

The 37,812-square-foot property at 1270 Bush Street, purchased for \$19.35 million in December 2021, is set to come online within days with 4,000 amps of electrical capacity—making it one of the only buildings in central San Francisco capable of supporting AI computing operations, autonomous vehicle charging, and power-intensive last-mile delivery facilities.

What started as a calculated gamble before the AI boom has evolved into what Sterling executives now describe as a “premium unicorn” asset that can command premium rents in a market where electrical capacity has become more valuable than location.

“The entire world needs more power, and it just doesn’t exist,” said Joe Dykstra, president of Sterling Organization, in an interview with The Registry. “The transmission, the utility companies are 20, 30, 40 years behind the power needs.”

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The timing of Sterling’s investment—initiated in 2021 before ChatGPT launched and before the AI infrastructure arms race—now appears prescient. The electrical infrastructure gives the property a capacity typically found only in large warehouse facilities in outlying submarkets like South San Francisco.

### Early-Stage Bet Now Paying Dividends

Sterling’s decision to invest in the power infrastructure on a speculative basis in 2021—before securing a tenant and before the AI boom—represents what has turned into a lucrative strategic move. Utility companies in many markets now require property owners to provide a committed tenant and demonstrate power usage before approving capacity increases above baseline levels.

“If you need more than a minimum threshold, the utility companies will make you take your occupier and prove that you are going to use the power,” Dykstra explained. “And if you don’t use all the power you’ve committed to, you write a check back to the utility company.”

Sterling secured approval from PG&E before this policy became



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more restrictive. "We think we got in early. We think they gave us 4,000 amps without proving we needed it. I don't know that that happens again," Dykstra said.

Kurt Grundman, managing partner for Lockhouse's Northern California office, who is handling leasing for the property, said power has become the primary driver of tenant interest. "It used to be location, location, location, now it's like power, power, power," Grundman said, citing conversations with major warehouse operators including Prologis and Link Logistics.

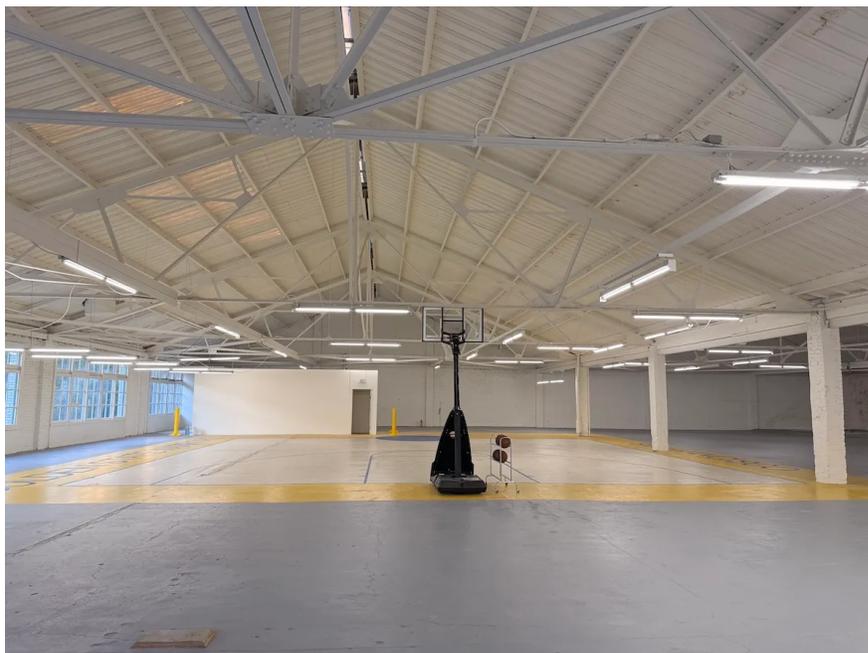


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## Timing Transforms Tenant Pipeline

The property recently received a "green tag" from the city, indicating it's ready for PG&E to install the transformer and connect power within 10 days—bringing to fruition an investment initiated before most of the market understood power would become the critical constraint.

Since announcing the imminent power activation approximately eight weeks ago, leasing activity has surged. "When we first came on, we were in for permits, and it was, 'we're 12 months out, we're

A vertical advertisement with a green-to-yellow gradient background. At the top, the text "let's get you HEARD!" is written in a bold, black, sans-serif font. Below this is a black and white illustration of a hand holding a megaphone, with three orange curved lines representing sound waves. To the right of the megaphone, the text "PR retainers out of control? Pay as you go with FAIR MEDIA" is displayed in a white, sans-serif font, with "FAIR MEDIA" in red. At the bottom right, the text "Check us out fairmedia.info" is written in a small, black, sans-serif font.

20 months out," Grundman said. "Now that we're hot or 10 days from being hot, it's 30 times the inquiries and real deals and people coming through."

The property is attracting interest from electric vehicle fleet operators, autonomous vehicle companies, last-mile delivery services, and AI-related tenants—many of which have emerged or expanded significantly since Sterling's acquisition. National grocery retailers have also expressed interest in hybrid retail and last-mile delivery operations.

"This week is historically like our slowest week in real estate just because everyone's coming back and nothing happens. And I think this is our fourth tour this week, which is crazy," Grundman said during the interview in early January.

### **Capitalizing on Power Scarcity with Premium Pricing**

Sterling is now positioning the property as a "premium unicorn" asset, pricing it to capture the value created by its 2021 infrastructure bet. The firm declined to disclose specific rental rates but indicated the premium reflects the \$3 million capital investment and the growing scarcity of comparable power capacity in the urban core.

"Drop a pin in the middle of San Francisco, or anywhere in the city proper, that has this—38,000 square feet, 4,000 amps. It just doesn't exist," Dykstra said. "But if you're doing last-mile charging, fulfillment, and you want to be in the city, this is it."

Other property owners seeking to add significant power capacity now face wait times of four to five years. "It takes like two years just to figure out if PG&E's going to give you the power. And in most cases, they will give you a fraction of what you ask for," Dykstra said.

### **Broader Infrastructure Constraints**

The investment reflects growing demand for electrical capacity

outpacing infrastructure development nationally, particularly acute with AI computing growth and electric vehicle proliferation.

“Power equals AI,” Dykstra said. “If no power, there’s no AI.”

Sterling reports similar power constraints at properties in New York and Baltimore, though power is generally easier to obtain in Baltimore and Northern Virginia than in dense urban markets.

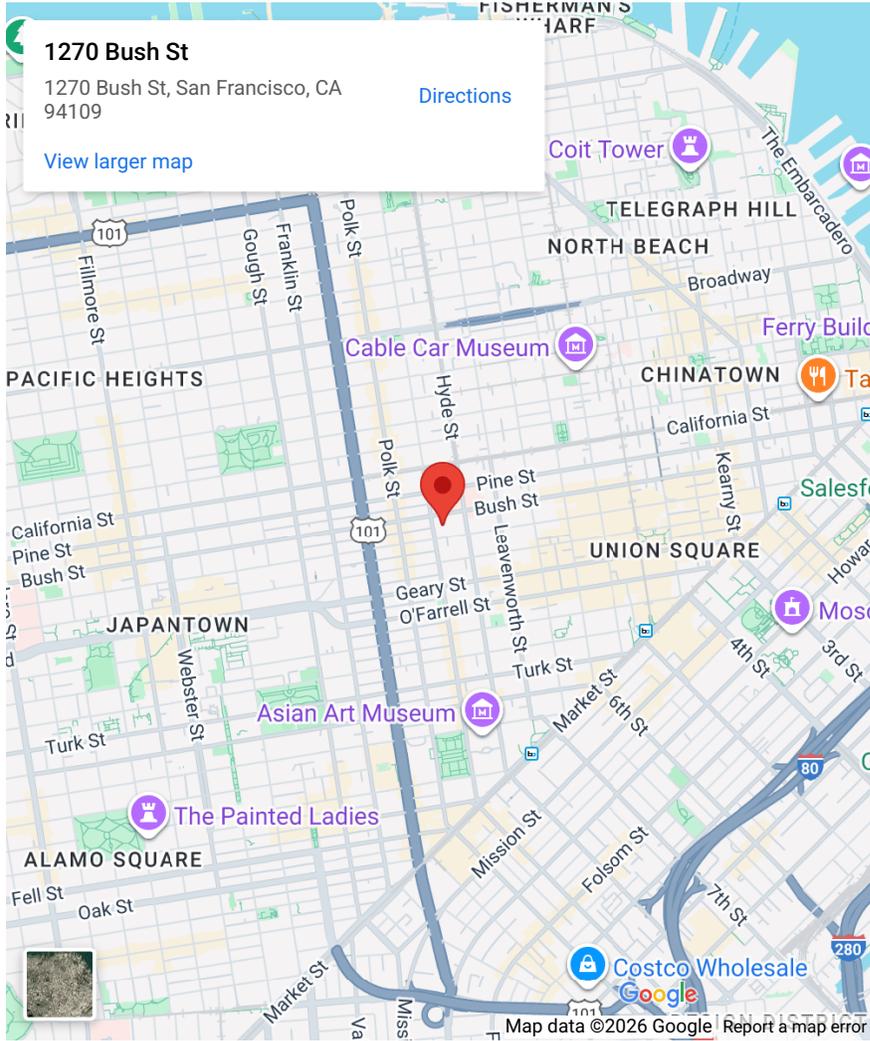
“Every region of the country is definitely different. And, of course, the harder it is, if you have it, the better it is,” Dykstra said. “Now you have a commodity.”

The property’s transformation from a Firestone auto service center reflects San Francisco’s post-pandemic repositioning.

“Twelve months ago, it was night and day down here from where it was,” Grundman said.

Sterling operates as a fund manager with a 10-year investment horizon, having held the property for nearly four years. “We would have been happy to lease it without investing another \$3 million,” Dykstra said. “But it became more and more obvious that to make our property interesting, it had to have power.”

Dykstra expects the power infrastructure advantage to intensify. “If you have it, you have something extremely valuable,” he said. For Sterling, what began as a \$3 million differentiation investment has evolved into a strategic asset positioned at the intersection of multiple high-growth sectors that emerged after the 2021 acquisition.



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