

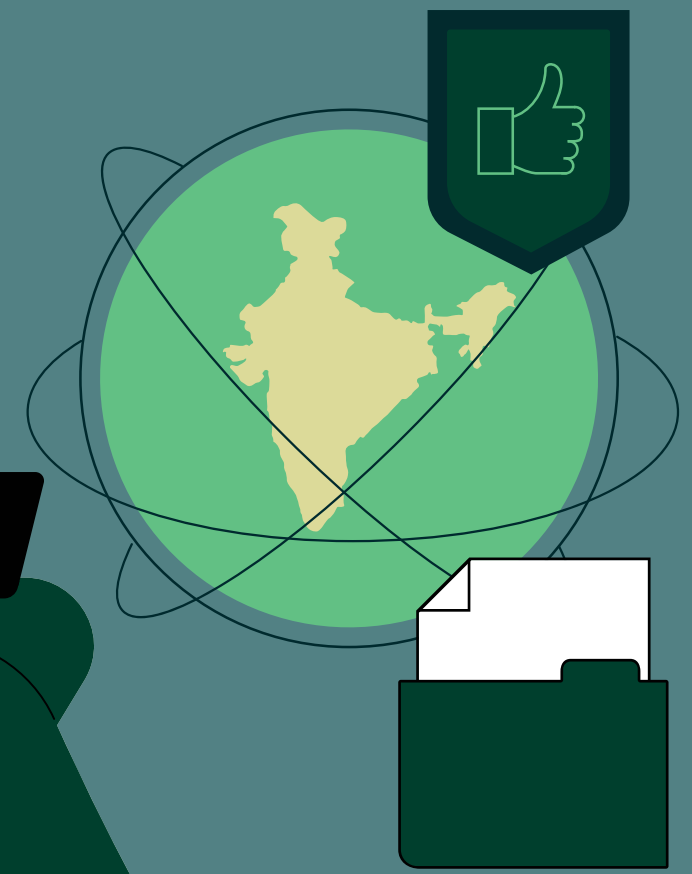
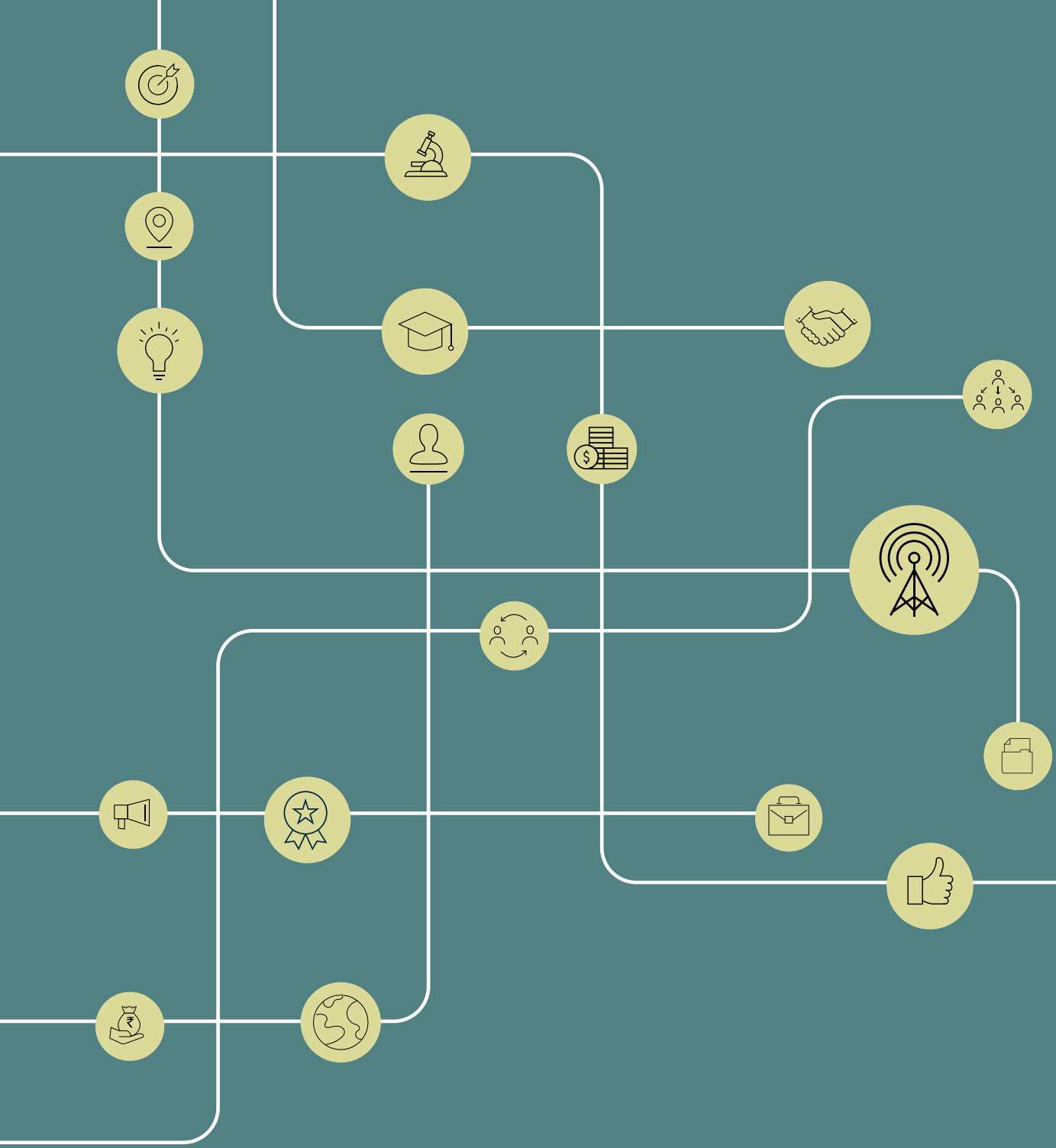
Creating Resilience

# India's Global Capability Centres

## Charting a New Technology Era

CBRE RESEARCH REPORT

November 2023



# GCCs in India: At a glance

## GCCs in India: An overview

Global capability centres (GCCs) have long been a part of India's technology success story. GCCs, which are captive centres that handle global operations for the firm ranging from analytical and technology support to product development and innovation, have taken several forms since their entry into India in the 1990s. GCCs have various nomenclatures, ranging across the following:

- 1 GLOBAL DELIVERY CENTRES
- 2 BUSINESS OPERATION CENTRES
- 3 RESEARCH AND DEVELOPMENT (R&D) CENTRES
- 4 CENTRES OF EXCELLENCE
- 5 CAPABILITY DEVELOPMENT CENTRES

## Quick View



1580  
Number of  
GCCs in India\*



1.66 mn.  
GCC talent\*



29 mn. sq. ft  
Office leasing  
by GCCs during  
2022-H1 2023



44%  
Share of Bangalore  
in GCC leasing  
(2022-H1 2023)



43%  
Cummulative share of  
Hyderabad, Chennai, Pune  
in GCC leasing  
(2022-H1 2023)



GCCs embarking on a journey towards high-value services

Over the years, global corporates have relied upon their captive centres in India to drive excellence and innovation for the parent organization. From merely providing voice-based services in the 2000s to now driving innovation, digital transformation and product excellence, GCCs are now an integral part of any futuristic global firm. While the initial benefits stemmed from lower costs in India, GCCs are now reaping the benefits of a wide and deep-skilled technology workforce, besides a well-developed technology and startup ecosystem. GCCs contribute to about 1% of India's gross domestic product\*\*.

From a commercial real estate perspective, GCCs in India form a large office occupier group and are often the first to adapt and innovate, setting a precedence for other occupiers. In this report, CBRE examines the growth of GCCs in India, their leasing preferences and likely drivers over the next few years.



## India and the world: A comparison

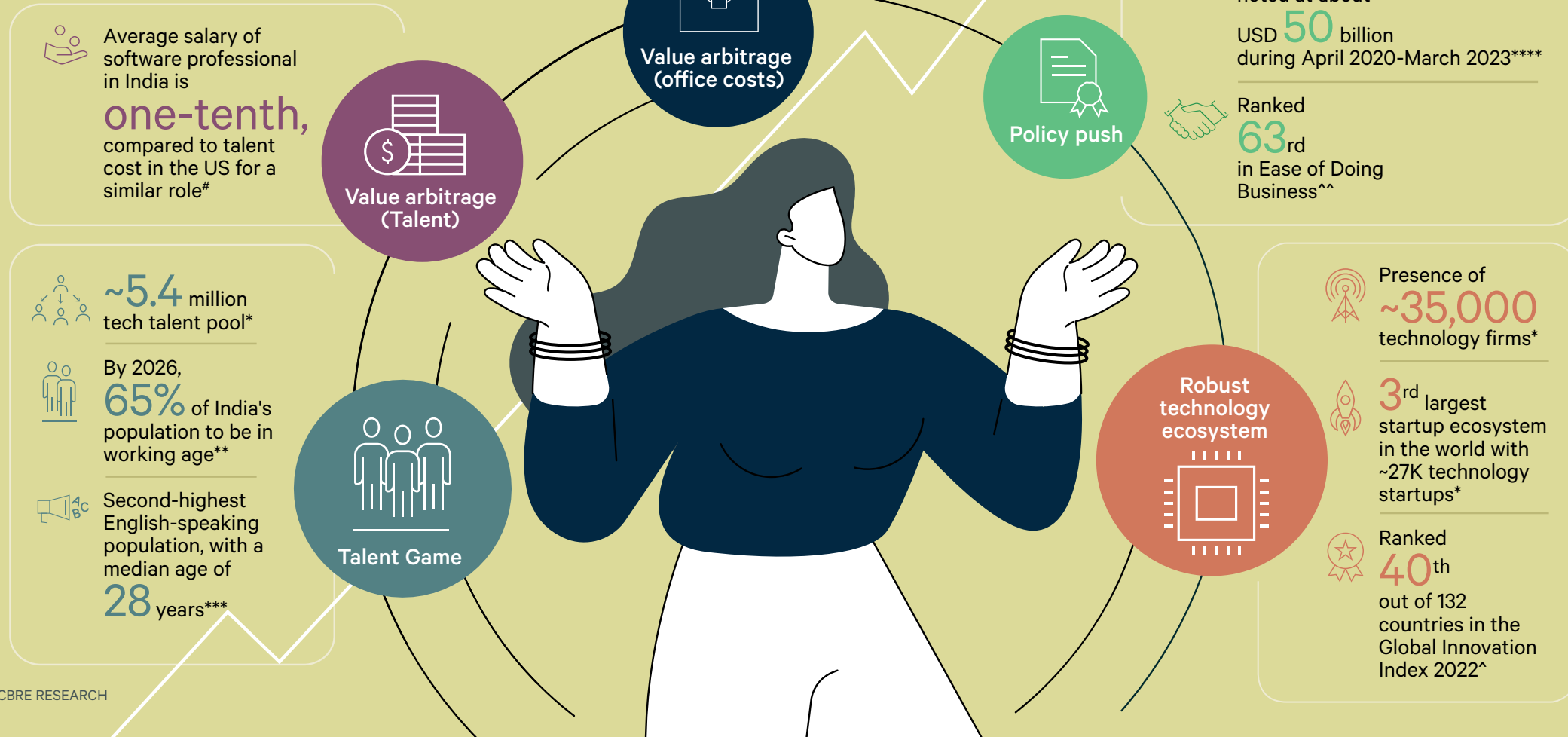
Country**	Cost attractiveness score	Talent attractiveness score
Brazil	★★★★☆	★★★★☆
Chile	★★★★☆	★★★★☆
China	★★★★☆	★★★★☆
Czech Republic	★★★★☆	★★★★☆
Hungary	★★★★☆	★★★★☆
Philippines	★★★★☆	★★★★☆
Poland	★★★★☆	★★★★☆

The scoring\*\* represents overall cost attractiveness and talent attractiveness for global companies setting up operations in various countries. India scores the highest in terms of talent attractiveness, while attaining a slightly lower score in overall cost attractiveness

Source:  
\*Nasscom GCC 4.0: India redefining the globalization footprint, June 2023,  
\*\* Nasscom-Deloitte GCC value proposition for India, June 2021  
CBRE Research, Q3 2023

# The India advantage

## Growth enablers



## Entry enablers

To build GCC capabilities, companies would likely enlist services of professionals for smoother entry. Some of the services include the following.

**Legal compliances**  
(Incorporating company, complying with The Companies Act, 2013, seeking government approvals)

**Taxonomy experts**  
(Adhering to local taxation laws under Income Tax Act, 1961, clarity on aspects such as corporate tax, minimum alternate tax, transfer pricing)

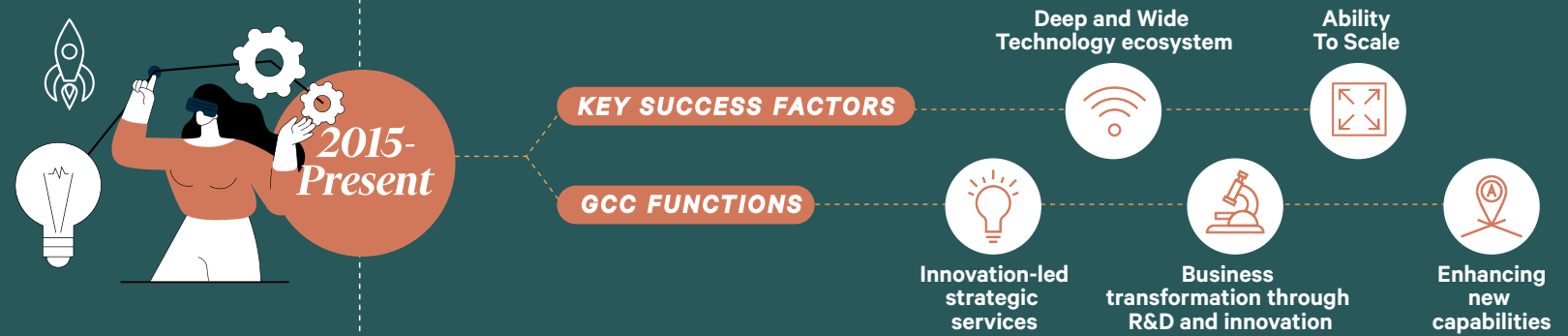
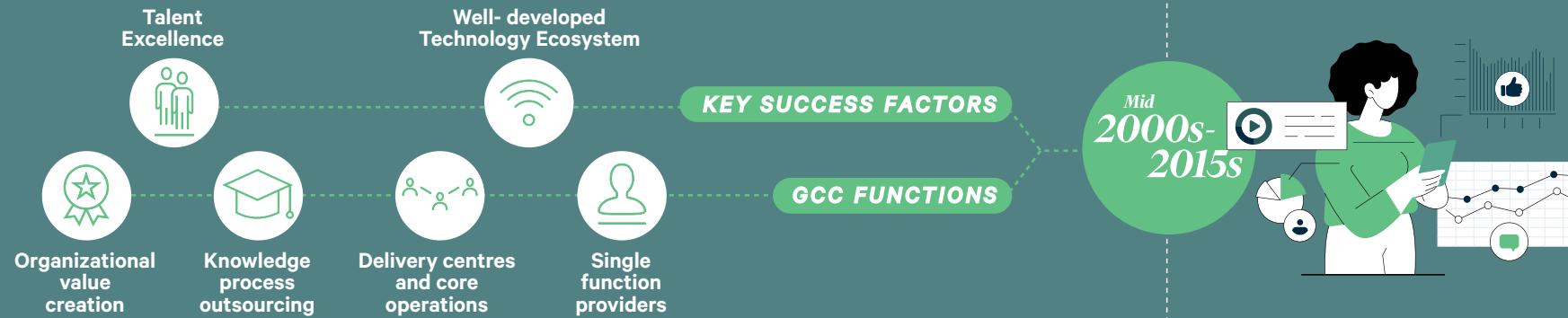
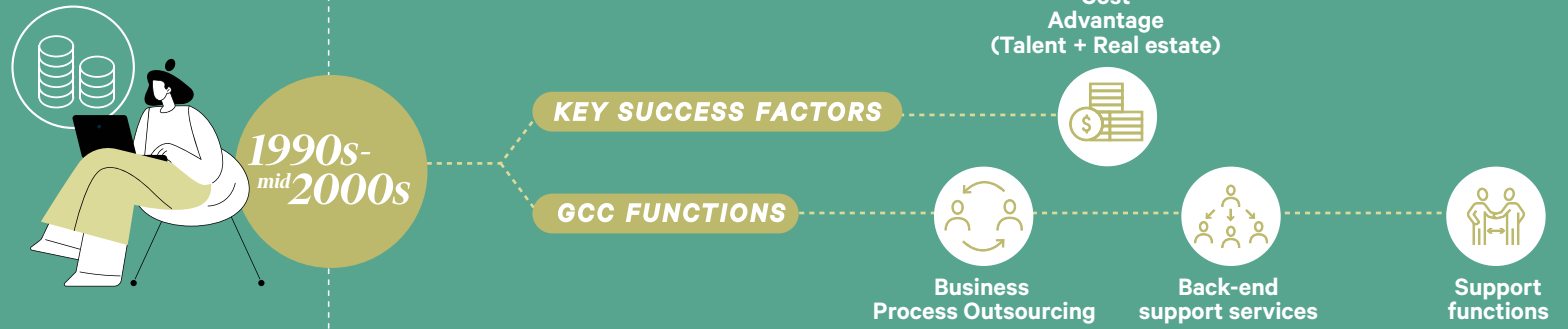
**Real estate**  
(Navigating current and future real estate options suitable to firms' operations, and growth plans)

**Talent acquisition**  
(Identifying and onboarding talent for operations)

Source:

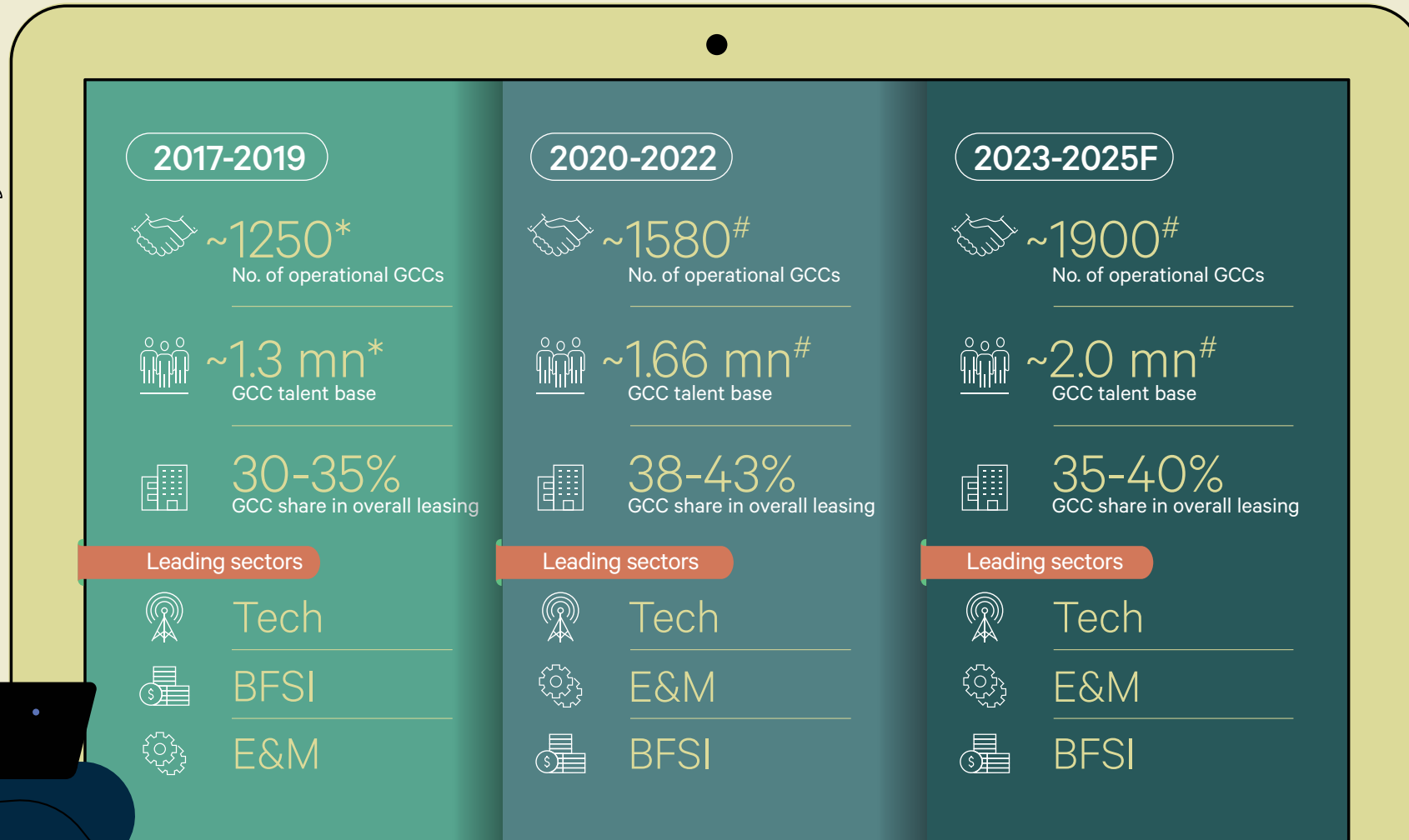
\*Nasscom Priming for a no normal future, March 2023; \*\* Ministry of Statistics and Programme Implementation Women and men in India, \*\*\*Census of India, April 2011, \*Morgan Stanley Why this is India's decade, October 2022, \*\* CBRE Poland real estate outlook H1 2023, Q2 2023, CBRE Czech Republic figures, Q2 2023, Philippines office figures Q4 2022, ^World Intellectual Property Organization Global Innovation Index 2022, ^^ World Bank's Ease of doing business index 2020, \*\*\*\* Department for Promotion of Industry and Internal trade, March 2023, CBRE Research, Q3 2023

# GCCs' evolution: From support to transformative



Source: CBRE Research, Q3 2023

# India's multi-functional GCCs: A pandemic silver lining



Source: CBRE Research, Q3 2023

Post the pandemic, global firms were nudged to re-evaluate their business offerings to increase digitisation levels. In a bid to ensure business agility, improve efficiency and make their businesses resilient, a higher number of global corporates explored multi-functional GCCs across the globe and in India. While Fortune 500 companies are deeply entrenched in India through their GCCs, mid and smaller-sized firms too started entering the Indian shores to enhance their offerings. Post the pandemic-related disruptions in 2020, the year 2021 saw a renewed appetite from GCCs for office uptake. This spurt was not only driven by the pent-up demand from the previous year (2020) but also the need for firms to ramp up their deep technology interfaces faster than they had planned pre-pandemic. Moreover, the macro-economic challenges seen in several developed countries also necessitated high-efficiency low-cost solutions across sectors.

Cementing the long-term intent of global corporates in India, GCCs are now leasing larger offices with the potential to scale up in the future. North American firms continue to be the mainstay of GCCs in India, with their share in overall leasing rising during the pandemic. While a sizeable share of GCC office space take-up is dominated by firms belonging to sectors such as technology and BFSI (banking, financial services and insurance), off late we have also seen a significant expansion from engineering and manufacturing corporates. This is largely a consequence of the supply chain diversification and the rise of China + 1 manufacturing strategy that several global firms have started to adopt. Over the next few years, along with the existing leading sectors such as technology, BFSI and engineering & manufacturing, we anticipate greater demand from sectors such as life sciences, automobiles, aviation, electronics, with several firms from these sectors expected to expand their GCC operations in India.

**Source:**  
 Source: \* Nasscom-Zinnov GCC 30 Spotlight on digital partnerships, new delivery models & future skills, May 2019; #Nasscom GCC 4.0: India redefining the globalization footprint, June 2023.



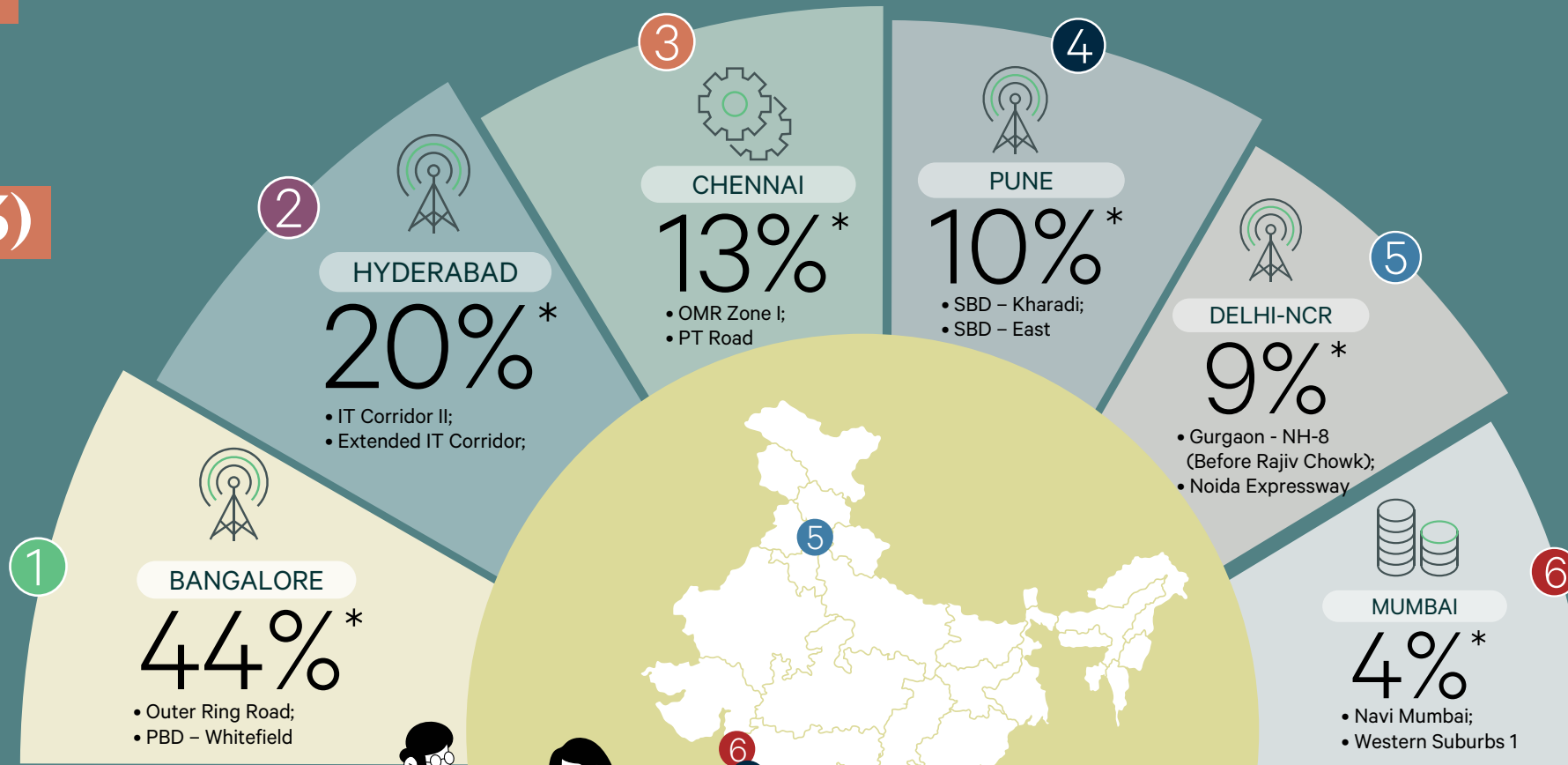


**Source:**  
 \* Tamil Nadu Government R&D Policy, July 2022  
 \*\* Zinnov India Tier-I Analysis, October 2022.  
 Refers to fresh graduates from Computer Science, IT and allied branches  
 CBRE Research, Q3 2023

# Bangalore at the forefront; GCCs expanding in Hyderabad, Chennai and Pune (2022-H1 2023)

## India GCC leasing 2022-H1 2023

~29 mn sq. ft.



Sector indicates the top sector in GCC leasing in each of the cities during the period

LEGEND

- Tech
- BFSI
- E&M

\* 2022-H1 2023 City GCC leasing share as a proportion of Pan-India GCC leasing

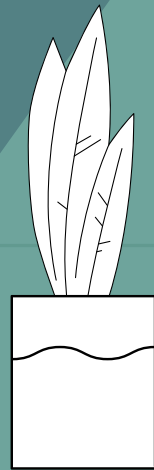
• Top micro-markets during 2022-H1 2023

Source: CBRE Research, Q3 2023, \*Large deals refer to deals above 100,000 sq. ft.

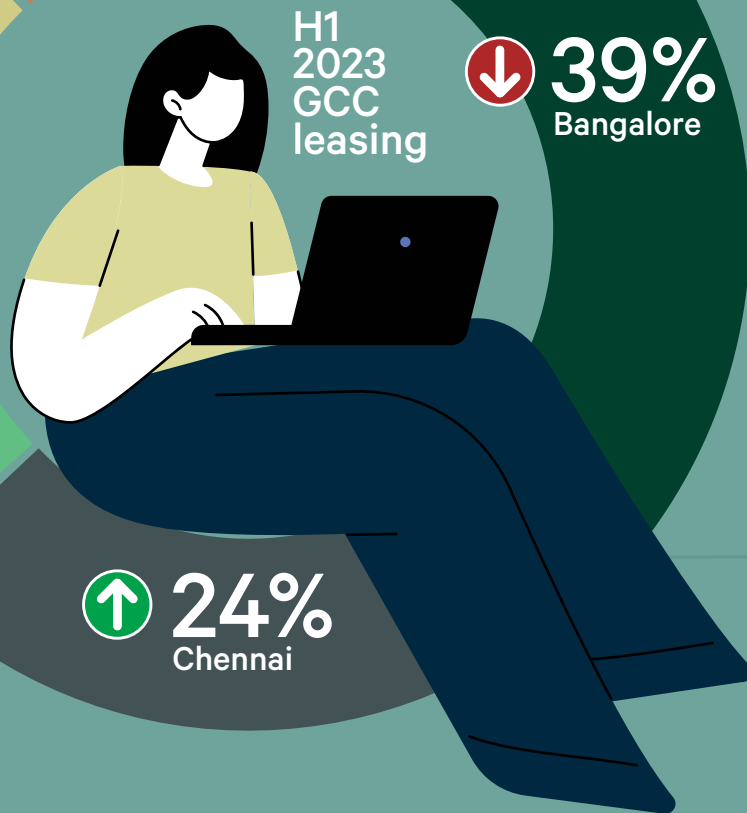
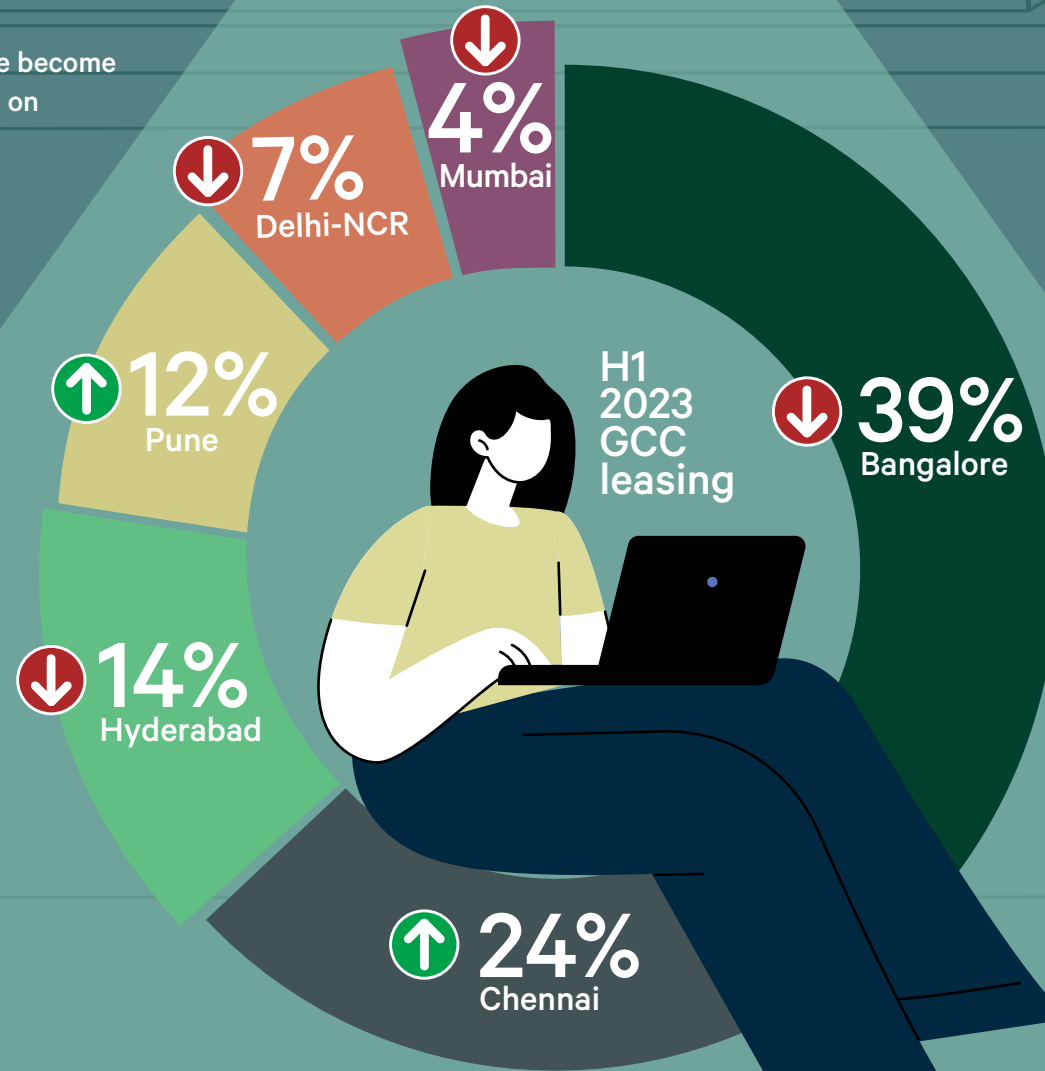
Note: Other than the micro-markets mentioned, locations such as North Bangalore, Extended business district in Bangalore, OMR Zone II in Chennai, Cyber City and Golf Course Road in Gurgaon are also seeing GCC activity.

# GCCs on solid leasing ground in H1 2023

GCCs have steadily expanded their footprint in India and have become a critical driver of office demand across most markets. Riding on their growth bandwagon, GCCs continued their aggressive expansion in H1 2023 with a share of 38% in overall space take-up. At about 9.8 mn sq. ft., space take-up by GCCs in H1 2023 crossed the half-way mark of the total space leased in 2022. On an annual basis, however, GCC space take-up dipped by 23%. This was largely since H1 2022 was seen to be on a higher base, due to renewed optimism post pandemic-related disruptions which released pent up demand by corporate occupiers. While Bangalore continues to account for the largest share in leasing, Chennai and Pune have also witnessed increased traction. This is due to an inherent push amongst GCCs towards location diversification, moving closer to their talent pool and increased availability of ready quality supply by large developers and institutional investors.



## GCC Leasing Diversifying



AT A GLANCE



**9.8 mn. sq. ft.**  
Leasing by GCCs in H1 2023



**2X**  
Rise in leasing by GCCs in Chennai in H1 2023 over H1 2022



**57%**  
Increase in space take-up by GCCs in Pune in H1 2023 over H1 2022

Source: CBRE Research, Q3 2023;  
Note: Arrow denotes change in GCC leasing in H1 2023 over H1 2022



## GCCS' LEASING CONSIDERATIONS

### PREFERRED MARKET



Ability to hire and retain skilled talent, a well-developed ecosystem of similar corporates, corporate-friendly policies including ease of doing business and the time taken to set up a business, and the presence of a strong technology and social infrastructure.

### BUILDING CHARACTERISTICS



State-of-the-art Grade A assets, campus-style developments, replete with ample amenities, green certifications, and access to public transport.

### ABILITY TO SCALE



Future supply of quality assets, ability to attract talent, and government investments in infrastructure to make the cities more liveable.

### AFFINITY FOR FLEX SPACES



Ease of starting operations, retaining flexibility, supporting distributed working, interim solutions for a dispersed workforce.

### SUSTAINABILITY



Green-certified offices, energy-efficient systems, waste and water management, sustainable sourcing.

## GCCS' WORKPLACE CONSIDERATIONS



### CREATE COMMUNITY

As most GCCs have offered a hybrid working set up to their employees, they must reflect the purpose of the office through an experiential workplace. GCCs need to accommodate a host of working styles to enable activity-based working. They can offer aspects such as individual working pods and focus areas for deep work while providing ample space for collaboration and informal conversations through breakout zones, recreation areas, and team ideation areas.



### AMENTISE FOR VALUE CREATION

Having a young workforce, GCCs can use amenities as a driving force for employees. Sports facilities, games rooms, gyms, nap pods, mothers' rooms, creches, car wash services, laundry, concierge services, etc. are some aspects that GCCs can explore.



### DESIGN FOR WELLBEING & INCLUSION

Healthy offices create happy employees. For an immersive experience, occupiers can design for well-being by incorporating features such as a biophilic design, enhanced acoustics, optimum environmental controls (temperature and lighting), indoor air filtration, and visible reporting of indoor air quality. The office design needs to be equitable to cater to the needs of a diverse group of employees.



Source: CBRE Research, Q3 2023

## Challenges posing GCCs in India

### RISING TALENT COSTS

While India continues to be a low-cost destination, the cost of talent has been rising significantly, especially since 2020, impacting margins of companies.



### GAP BETWEEN TALENT DEMAND AND SUPPLY

About 81% of organizations are experiencing a shortage in skilled tech workers, as new technologies evolve faster than anticipated\*.



### REGULATORY HURDLES

Regulatory hurdles related to transfer pricing, intellectual property (IP) protection, lengthy approval process often pose as challenges to GCCs.



## Recommendations for sustainable growth of GCCs in India

### REGULATORY SUPPORT

Building a strong regulatory framework for aspects such as transfer pricing of high-value services and IP creation mechanisms could smoothen the operational aspects for GCCs.



### THRUST ON SKILL DEVELOPMENT AND R&D

While the government has boosted start-ups through its 'Start-up India' mission, deeper partnerships with R&D institutes and universities, can aid in skill development. Increasing spends on R&D would likely bolster innovation in the country, aiding GCCs.



### ENHANCING TECHNOLOGY ECOSYSTEM

The top six cities continue to be GCC strongholds. Promoting innovation through incentivising start-ups, enhancing funding opportunities for technologies, nurturing incubation centres, and higher digital inclusion would foster a more vibrant technology ecosystem.



# Outlook





Source:  
CBRE Research, Q3 2023 \*E&Y iMocha Tech skills transformation- Navigating the future of work on 2025 and beyond, May 2023

# Outlook

## India well-positioned to support GCC growth

Going ahead, India would continue to be a prominent growth market for GCCs. Existing corporates are looking at expanding their operations buoyed by the performance of their current facilities, while new entrants are also attracted by the country's cost / scale advantages and value proposition. The Indian economy has also been resilient in the wake of global economic challenges and is likely to grow at 6.7% for the next three years, holding on to the tag of 'fastest-growing large economy'\*. The country's maturing startup industry, which has a symbiotic relationship with GCCs, is also expected to see greater collaborations, fueling the growth of these global centers' innovation ecosystem.

### GCCS GROWTH FACTORS

-  Availability of fresh and experienced talent
-  Cost of talent
-  Supportive regulatory framework
-  Availability & cost of quality real estate

## GCCs' upsurge in India to bolster India's commercial real estate

### GCCs LEASING 2023-2025F

# 60-62 mn sq.ft

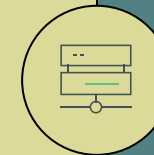
GCCs are expected to scale up their operations in India, which would boost demand for both conventional as well as flexible office spaces. At the same time, mature GCC occupiers, with a large existing footprint and long-term vision, could explore large-sized campus developments in top cities.



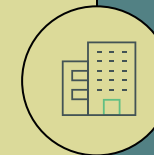
We believe that the incremental leasing growth by GCCs over the next three years is likely to continue across the top six cities, which together have a fresh talent availability of about 250,000 annually in the science, engineering fields, apart from experienced talent\*.



The market is likely to witness the expansion of mid and small-mid sized firms looking to upgrade their digital and deep technology services such as artificial intelligence and machine learning.



The India market is likely to see higher number of multi-functional centres spanning across R&D centres, IT centres etc.



While most GCCs in India continue to adopt a hybrid work policy, they are expected to take up large office spaces to enhance collaboration and innovation – key performance enablers for most GCCs.

Source:  
 CBRE Research, Q3 2023 \* Zinnov India Tier-I Analysis, October 2022. Includes only Computer Science, IT and allied branches; ^ S&P Global India's Future: The Quest for High and Stable Growth, August 2023

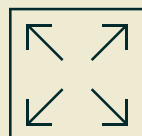
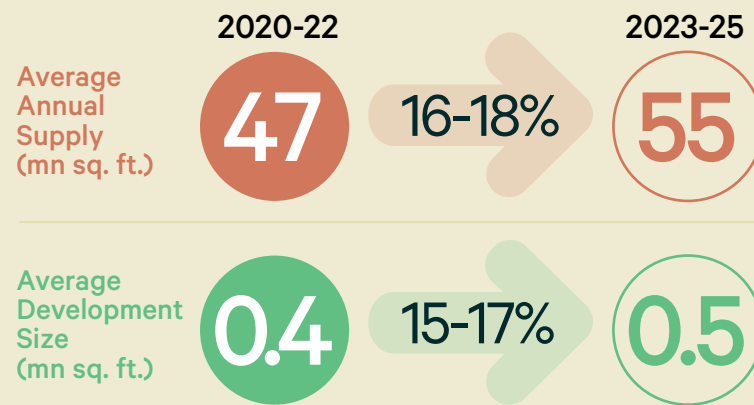


# Outlook

## Quality upcoming office supply offers attractive options for GCCs

The Indian office market is undergoing a shift, marked by increased occupier appetite for flight to quality. A strong pipeline of quality supply from leading developers and institutional owners is expected to enter all major markets in the coming two years, thereby providing expansion and consolidation options to occupiers. A sizeable share of this upcoming supply comprises of large developments that incorporate technology and sustainability elements to further employees' health and wellness needs.

### Upcoming quality developments to provide avenues to occupiers



A sizeable 73% of the upcoming supply between 2023-2025 is led by large developers and institutional investors, giving an impetus to next-generation offices.

## Emerging hubs of office activity

Going forward, over 2023-2025, the top six cities are likely to see a strong pipeline of new developments in emerging micromarkets, creating new hubs of activity. The upcoming developments would be geared towards quality investment-grade office supply, giving GCCs ample scope to upgrade and scale, as they expand.

Source: CBRE Research, Q3 2023 Note: Arrow denotes expected change in supply during 2023-2025 from the preceding three-year period



## Micromarkets reshaping office markets

Average annual supply (2023-2025F/ 2020-2022)

Top two micromarkets in upcoming supply (2023-2025F)

<p><b>Bangalore</b></p>	<ul style="list-style-type: none"> <li>• <b>NBD</b> - Banaswadi, Bellary Road, Hebbal, HMT Layout, Jakkur, Mekhri Circle, Yelahanka, Yeshwantpur, Kattigenahalli, Bagalur, Nagawara Outer Ring Road, Thanisandra, Sadashivnagar</li> <li>• <b>ORR</b> - Marathalli Outer Ring Road, Sarjapur Outer Ring Road, Marathalli, Off Outer Ring Road, Outer Ring Road</li> </ul>
<p><b>Chennai</b></p>	<ul style="list-style-type: none"> <li>• <b>OMR Zone 2</b> - Karapakkam, Sholinganallur, Thoraipakkam</li> <li>• <b>Mount Poonamallee Road</b> - Manapakkam, Mount Poonamallee Road, Porur, Vanakaram</li> </ul>
<p><b>Delhi-NCR</b></p>	<ul style="list-style-type: none"> <li>• <b>Noida</b> - Expressway - Sectors 90-144, Sector 153</li> <li>• <b>Gurgaon</b> - Extended Golf Course Road - Sectors 58-68 and Gurgaon - Faridabad Road, Sector 50, Sector 2, Gwal Pahari, Village Gwal Pahari</li> </ul>
<p><b>Hyderabad</b></p>	<ul style="list-style-type: none"> <li>• <b>IT Corridor 2</b> - Gachibowli, Kondapur, Raidurg 1, Jubilee Enclave Madhapur, Kavuri Hills</li> <li>• <b>Extended IT Corridor</b> - Nanakramguda, Raidurg 2, Manikonda, Financial District, Kukatpally, Haffezpet, Kokapet, Pupalguda, Narsingi, Khanamet</li> </ul>
<p><b>Mumbai</b></p>	<ul style="list-style-type: none"> <li>• <b>Navi Mumbai</b> - Airoli, Belapur, CBD Belapur, Ghansoli, Juinagar, Mahape, Rabale, Sanpada, Seawoods, Turbhe, Vashi, Koparkhairane, Kharghar, Nerul</li> <li>• <b>Extended Business District</b> - Lower Parel, Parel, Worli, Dadar, Prabhadevi, Mahalaxmi</li> </ul>
<p><b>Pune</b></p>	<ul style="list-style-type: none"> <li>• <b>PBD North-East</b> - Kharadi</li> <li>• <b>SBD North-West</b> - Aundh, Baner, Bavdhan, Pashan, Karve Road</li> </ul>




Source: CBRE Research Q3 2023


# Outlook


## Inroads into emerging hubs

GCCs are also increasingly evaluating tier-II cities to expand their operations, influenced by the reverse migration seen during the pandemic and the cost arbitrage offered by such relatively under-penetrated markets. The recent thrust on infrastructure development in these cities has also added to their appeal. During H1 2023, about 22% of GCC expansion centres were set up in tier-II cities, driven by the availability of existing and fresh talent\*.

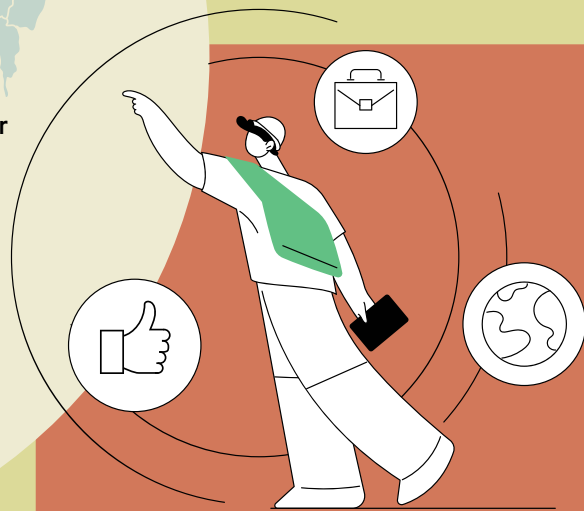
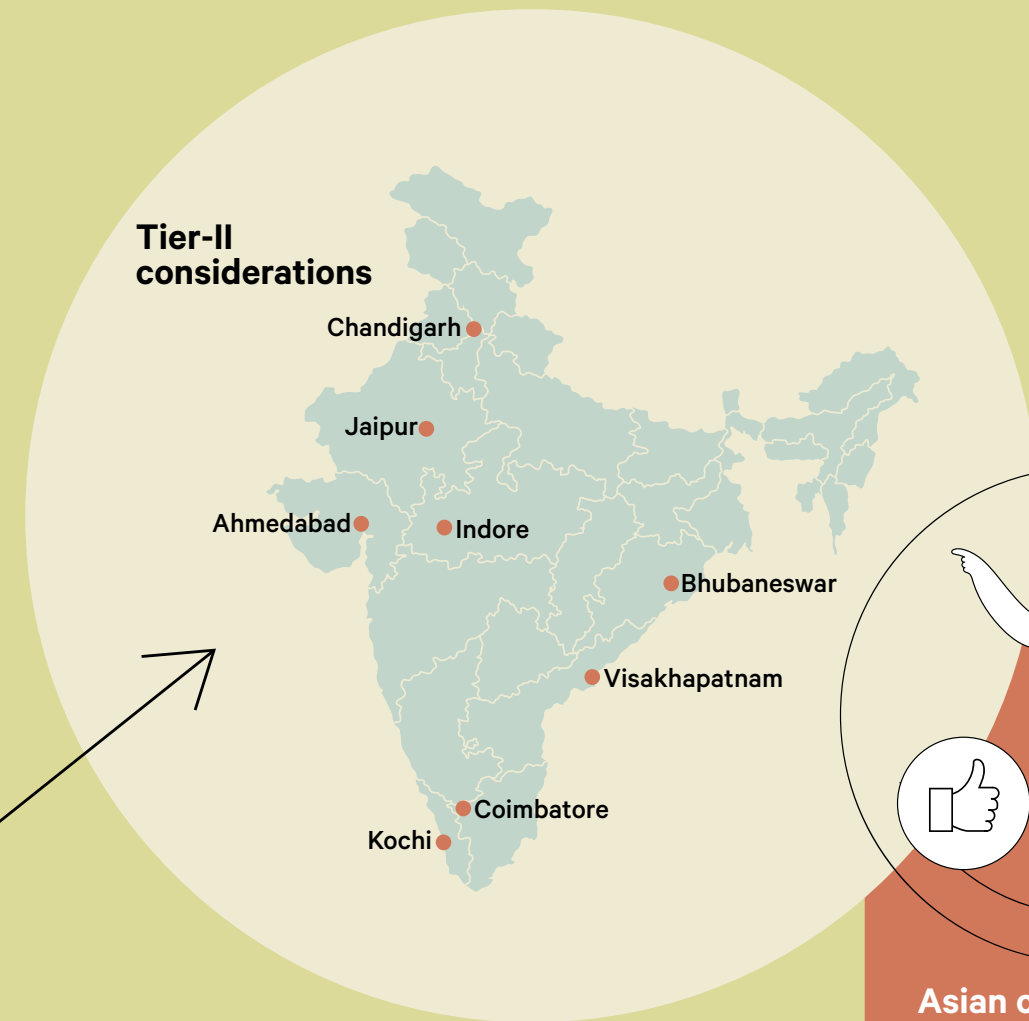
### Tier-II cities growth drivers

- 

**IMPROVING INFRASTRUCTURE**
- 

**TALENT AVAILABILITY**
- 

**LOWER REAL ESTATE COST**



## Asian companies make a play for India's GCC market

India's GCC landscape has largely been dominated by North American and European companies. During 2022-H1 2023, Asian companies accounted for only about 4% of the total leasing by GCCs. However, going forward, we expect Asian corporates to see greater value in setting up their GCCs in India as they look towards global expansion. Our proven track record of efficient delivery and quality while working with North American and European majors would definitely add to our appeal amongst Asian firms.

## The talent game



490,000 - 540,000

Installed talent in technology companies across eight tier-II cities\*\*



110,000 - 120,000

Annual STEM graduates across the eight tier-II cities\*\*



Looking ahead, technology is likely to be embedded across sectors, becoming an all-pervasive enabler. While India's talent is imperative to GCCs' growth as transformative multi-functional units, a higher number of global leadership positions in Indian GCCs would place these centres at the core of any firm's business. From the CRE perspective, metro cities offer GCCs the benefits of a globalised workforce and a well-developed ecosystem. However, at the same time, tier-II cities are likely to continue to be on the radar for GCCs, especially for mid-range services. From a workplace perspective, the health and well-being of employees would continue to be of paramount significance for GCCs, with offices built for a multi-generational workforce.

Source:  
 \* Nasscom Half-yearly GCC trends, September 2023  
 CBRE Research, Q3 2023 \*\*Nasscom-Deloitte  
 Emerging technology hubs of India, August 2023.  
 CBRE Research, Q3 2023



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