

Global Capability Centres and India Office Market Landscape

2024

Knight Frank and 3AI delve into the booming world of GCCs in India and the role of real estate in its growth.

knightfrank.co.in/research



Mumbai HO

Knight Frank (India) Pvt. Ltd.
Paville House, Near Twin Towers,
Off. Veer Savarkar Marg, Prabhadevi,
Mumbai 400 025, India
Tel: 022 6745 0101 / 4928 0101;

Bengaluru

Knight Frank (India) Pvt. Ltd.
204 & 205, 2nd Floor, Embassy Square,
#148 Infantry Road,
Bengaluru 560001, India
Tel: 080 40732600 / 22385515

Pune

Knight Frank (India) Pvt. Ltd.
Unit No.701, Level 7, Pentagon Towers P4,
Magarpatta City, Hadapsar,
Pune 411 013, India
Tel: 020 67491500 / 30188500;

Chennai

Knight Frank (India) Pvt. Ltd.
1st Floor, Centre block, Sunny Side,
8/17, Shafee Mohammed Road,
Nungambakkam, Chennai 600 006, India
Tel: 044 4296 9000

Gurgaon

Knight Frank (India) Pvt. Ltd.
Office Address: 1505-1508, 15th Floor, Tower B,
Signature Towers South City 1,
Gurgaon 122 001, India
Tel: 0124 4782700;

Hyderabad

Knight Frank (India) Pvt. Ltd.
Western Dallas Centre, 5th floor, Office #3,
Hyderabad Knowledge City,
Survey No. 83/1, Raidurg, Serilingampally Mandal,
Ranga Reddy District, Telangana Hyderabad - 500032
Tel: 040 44554141;

Kolkata

Knight Frank (India) Pvt. Ltd.
PS Srijan Corporate Park
Unit Number - 1202A, 12th Floor,
Block - EP & GP Plot Number - GP 2,
Sector - V, Salt Lake, Kolkata 700 091, India
Tel: 033 66521000

Ahmedabad

Knight Frank (India) Pvt. Ltd.
Unit Nos. 407 & 408, Block 'C', The First,
B/H Keshav Baugh Party Plot,
Vastrapur, Ahmedabad - 380015
Tel: 079 48940259/ 40380259



Shishir Baijal

Chairman & Managing Director
Knight Frank India

FOREWORD

In the dynamic landscape of global business, India's Global Capability Centres (GCCs) have evolved beyond traditional roles to become pivotal hubs of global strategy and local ingenuity. Established by multinational giants, these centres leverage India's unique potential not only to streamline processes but also to redefine business resilience and innovation. What distinguishes India's GCCs is their seamless integration of global standards with local expertise, serving as innovation nerve centres driving advancements in AI, data analytics, cybersecurity, and beyond. This synergy not only enhances operational efficiencies but also fosters a culture of continuous learning and adaptation.

Currently, GCCs occupy approximately 202.6 million square feet of Grade A office space in the top 6 cities in India. Among these cities, Bengaluru and Hyderabad contribute three-fourths of the GCC-leased space. Additionally, GCCs from American companies account for a 58% share of the total area leased by GCCs. Overall, India holds a 65% combined share of GCCs from the IT/ITeS and BFSI sectors. In relation to Environmental, Social, and Governance (ESG) factors, Hyderabad, Mumbai, and Chennai are leading cities in terms of GCC stocks certified under Leadership in Energy and Environmental Design (LEED).

The GCC market in India is expected to boom in the next couple of years and we already see a high momentum with the current number of GCCs standing at around 1600 plus in India. The development of new GCCs specially catering to manufacturing sector has increased on a year-on-year basis and the talent landscape mainly in the technology sector has evolved over the years to meet the growing demand of new GCCs hence helping the growth of GCC in India

Finally, I invite you to read the Knight Frank India and 3Ai report on GCCs in India which tracks the ongoing developments impacting the GCC market both from an economic and real estate perspective.



Sameer Dhanrajani

CEO
3AI

FOREWORD

Global Capability Centres (GCCs) in India have evolved from humble beginnings to become a key component of the global business environment. Initially conceived as cost arbitrage strategies for multinational corporations (MNCs) to outsource non-core operations, GCCs have since undergone substantial transformation. Over the last several decades, these centres have not only grown in size and scope but have also ascended the value chain, playing increasingly vital roles within their parent companies. With a commanding share of over 50 percent of the global GCC market, India stands out due to its unique talent pool and robust startup ecosystem, making it the preferred destination for establishing GCCs.

Looking ahead, the future of GCCs in India appears exceedingly promising. Projections indicate that the number of centres will exceed 1,900 by 2025, employing around 2 million people. The emphasis will be on further integrating advanced technologies, driving innovation, and fostering sustainable business practices. As GCCs continue to evolve, they are expected to assume even more critical roles in global operations, particularly in areas such as generative AI, customer-centric business development, and as-a-service transformations.

By 2030, GCCs in India will undergo a significant transformation. These centres will become integral parts of global organizations, evolving into various models. India centres will be led by leaders focused on innovating new products & services, marking a shift from their current form to becoming essential drivers of business success.

Knight Frank India & 3AI GCC India Report 2024 delves into the key factors shaping the GCC market in India, including the economic outlook, evolving talent landscape, GCC operating models, and future projections.

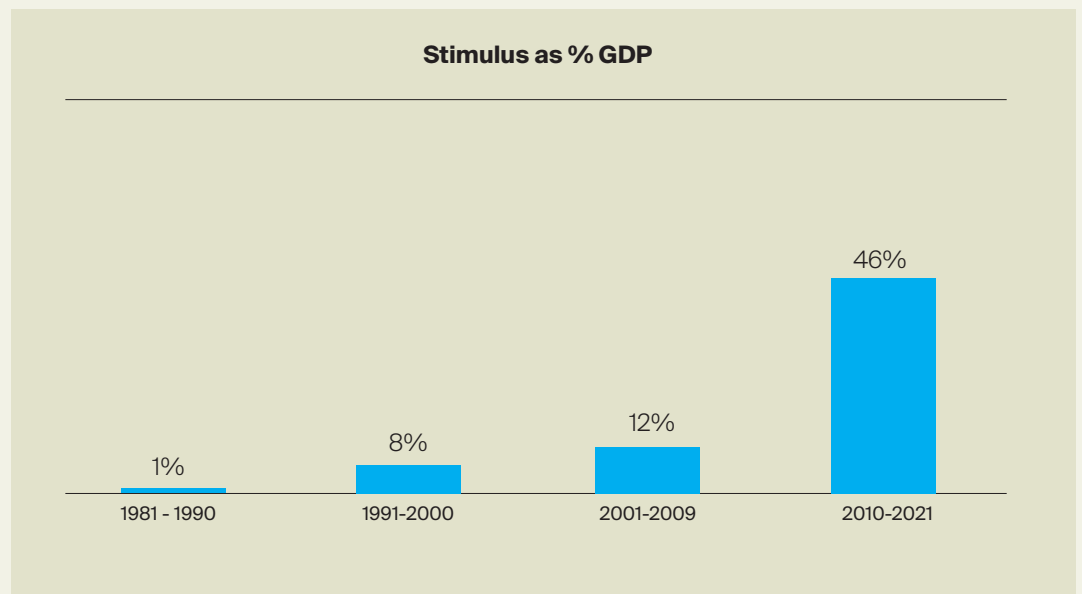
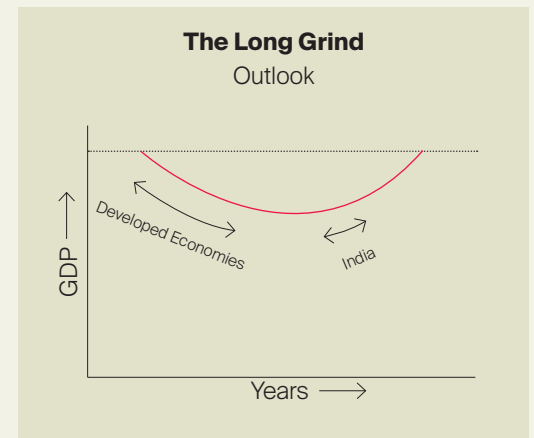
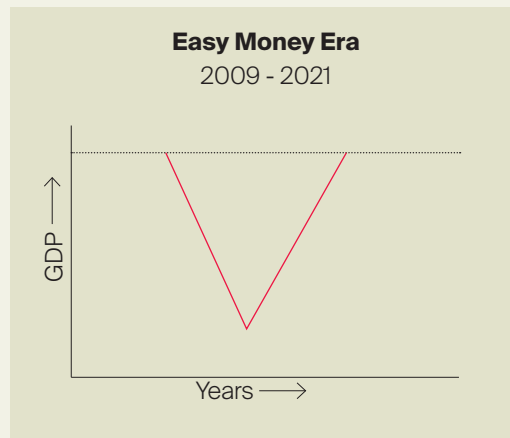


OVERVIEW

Global Capability Centres (GCCs) are offshore establishments that multinational corporations set up to provide services to their parent entity. This is based on the leverage of global skills, resources, and knowledge. These entities are generally integrated into larger corporations and offer various services like research and development, IT support, outsourcing of business processes, engineering solutions, and other related functions. Let us go into the details of the economic trends and how the real estate domain of the GCC works.

Section A: Economy

ECONOMIC OUTLOOK CHANGE IN CYCLE



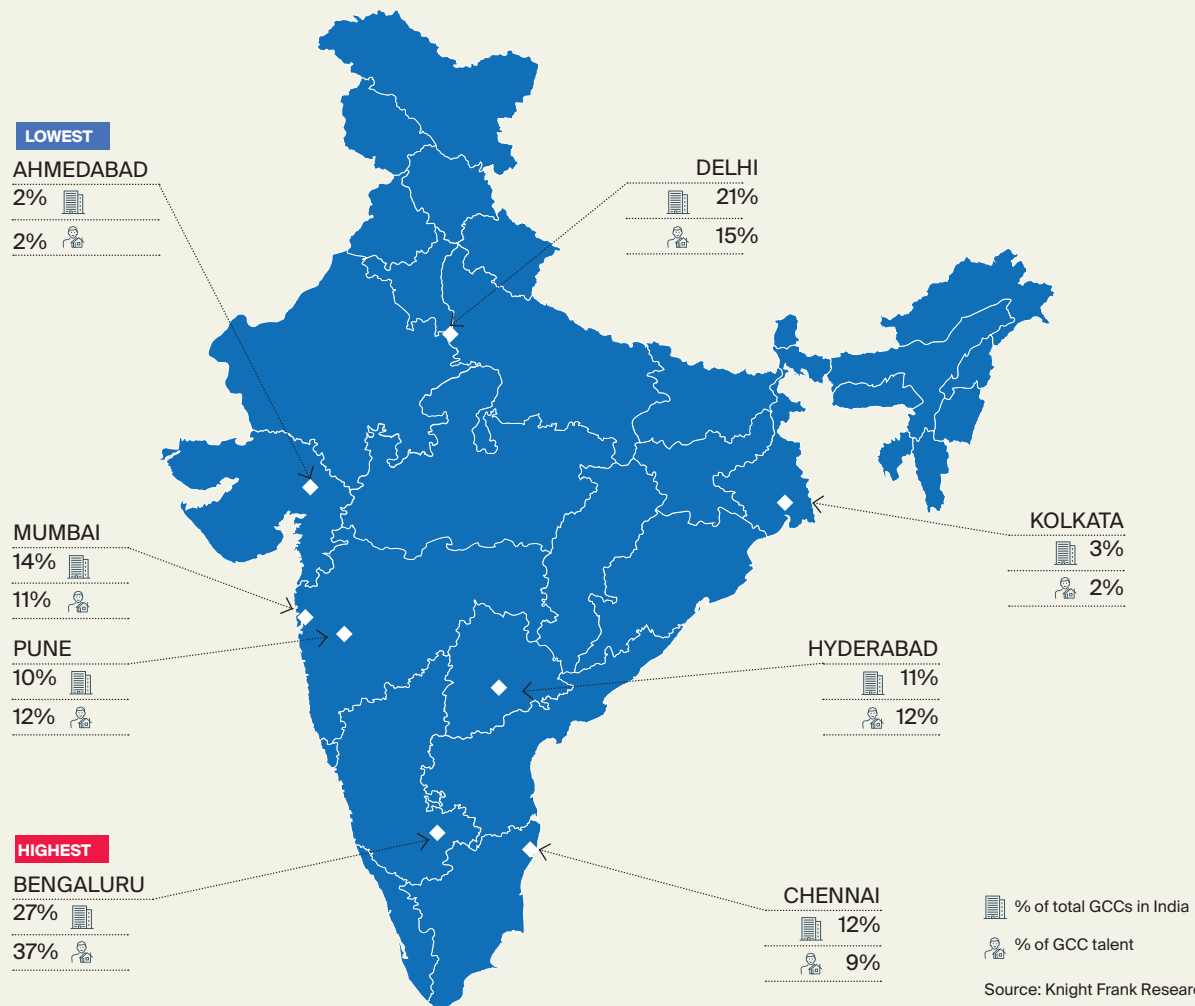
Source: IMF, World Bank

If we look at the world economic order between the years 2010-2021, the stimulus in the form of money printed was around 46% of the world GDP, mainly due to Covid-19. Currently, that cycle has changed and the easy money era is over. There is an absence of fiscal stimulus and a change in the economic cycle which has led to a change in the leaderboard, largely dominated by companies representing the real world economy, investments in and by companies representing the old world economy focused on profitability. While the entire world is battling with high inflation and recessionary trends, India has shone as a rising star and is in a better position than most developed countries .

Section B:

GCC Real Estate & Talent

TALENT & GEOGRAPHICAL COVERAGE OF GCCS IN INDIA

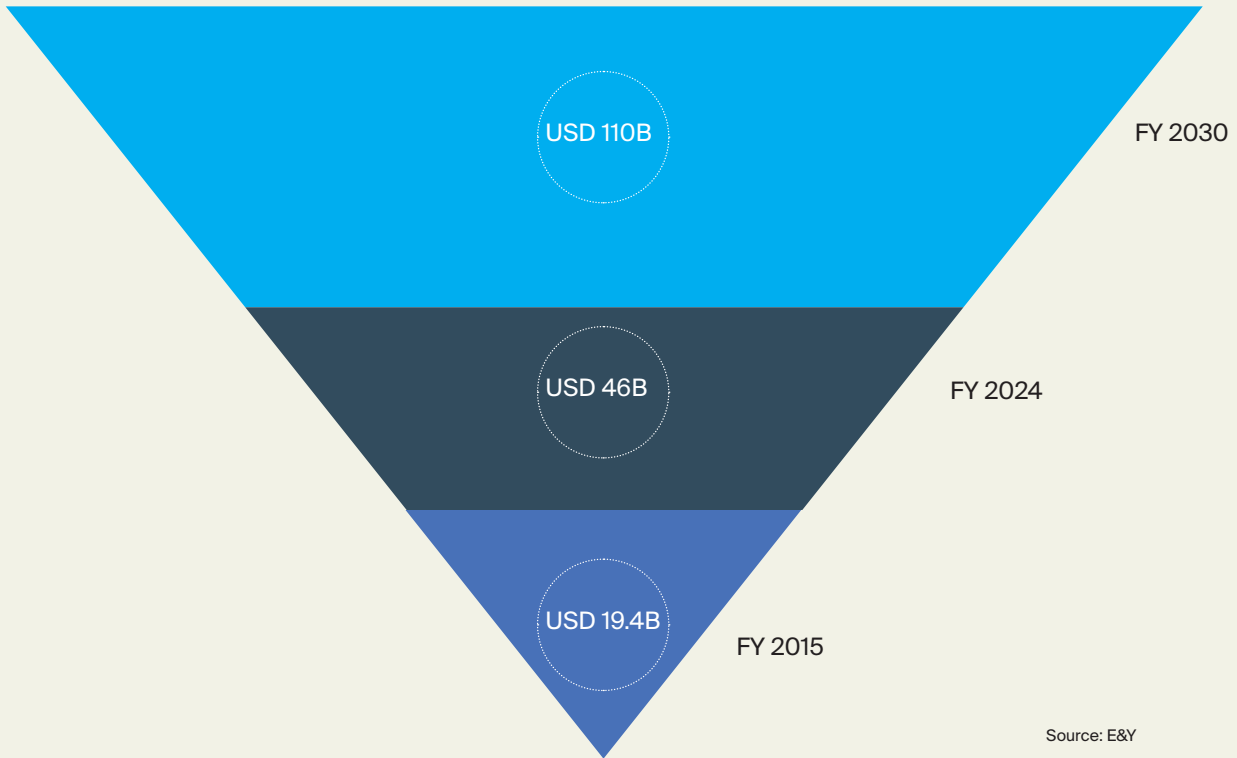


India has become the global GCC capital by offering the distinct benefit of consistent skilled talent across various locations, facilitating GCCs to expand operations for managing risks and ensuring business continuity.

If we dissect further and look at the eight major cities of India, Bengaluru leads the GCC tally and is the top choice for platform engineering. With Hyderabad and Delhi emerging as key contenders due to the flourishing of new IT hubs, Tier-2 cities also saw an increase in the overall movement. Chennai and Pune dominated primarily in automotive GCCs and Mumbai emerged as the top choice for BFSI GCCs. On the talent front, Bengaluru leads the tally with the highest percentage of around 37% of GCC talent located in the city followed by 15% in Delhi and 12% each in Hyderabad and Pune respectively.

MARKET SIZE OF GCC

According to Ernst and Young estimates, it is expected that by the end of 2024, the total revenue generated by all GCCs operating in India will be around USD 46 bn.



GCC OPERATING MODEL

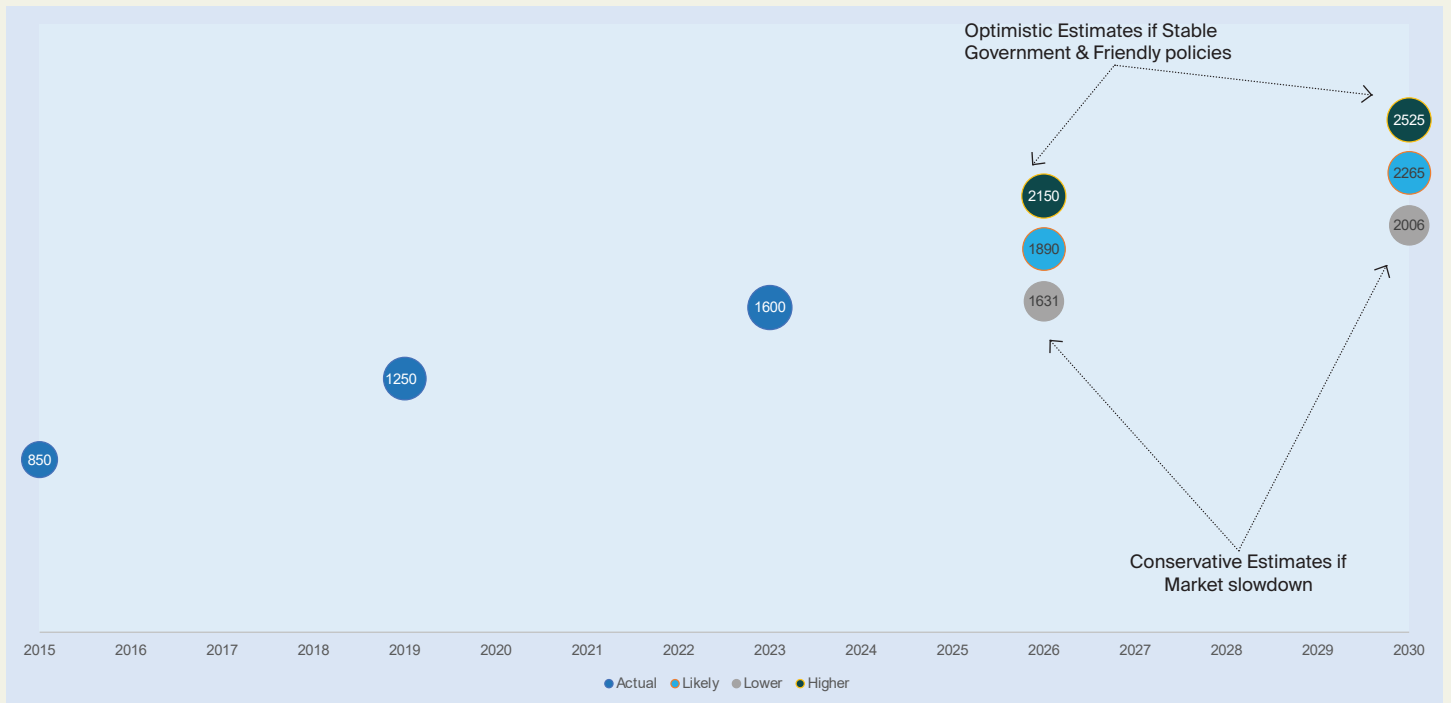
Work Location Modes	100% In-Office	Mixed: Office/Home	100% Work From Home
Offshore	Higher Savings		Lowest Cost
Hybrid		Highest Cost Saving	
High-Cost Onshore	Lowest Savings		Highest Cost

Source: Knight Frank Research

The current global operating model primarily balances roles based on location. The new distributed model incorporates centralized work-from-home strategies to minimize costs while maintaining risk and effectiveness. Migration of roles within this new model can achieve higher savings and lower costs effectively. If we look at the above model chart, the hybrid model gives the maximum benefit for a GCC in India.

India remains a key hub for GCCs, alongside other destinations such as the US, Latin America, China, Europe, and the APAC region. India, the US, and China stand out for their ease of hiring talent. Conversely, India, and the APAC region are noted for lower operational costs compared to global averages. Therefore, multinational corporations worldwide, increasingly view India as a preferred destination for establishing or expanding operations, with US companies at the forefront of this trend.

NUMBER OF GCCS IN INDIA AND FORECAST



Source: Knight Frank Research

If we look at the total number of GCCs in India, it had only 1250 GCCs in 2019 which increased to around 1600 GCCs in 2023. Our optimistic estimation is for the number of GCCs to reach around 2525 by 2030, if we have a stable government and Industry friendly policies; but if the market slows down, our conservative estimate is for the number of GCCs to reach 2006 by the year 2030.



“

India will witness a higher influx of GCC's mainly due to the availability of Technology talent and presence of young English speaking populace, with Bengaluru leading the charts

”

George Inasu
 Managing Director and Country Head
 Fidelity National Financial India







“

There has to be a collective intervention of the industry, government bodies and real estate fraternity to create newer sustainable micro markets for the future growth of GCCs in India.




”

Sundeep Bedi
 General Manager
 Shell Business Operations Bangalore

DRIVERS FOR GCC GROWTH IN INDIA

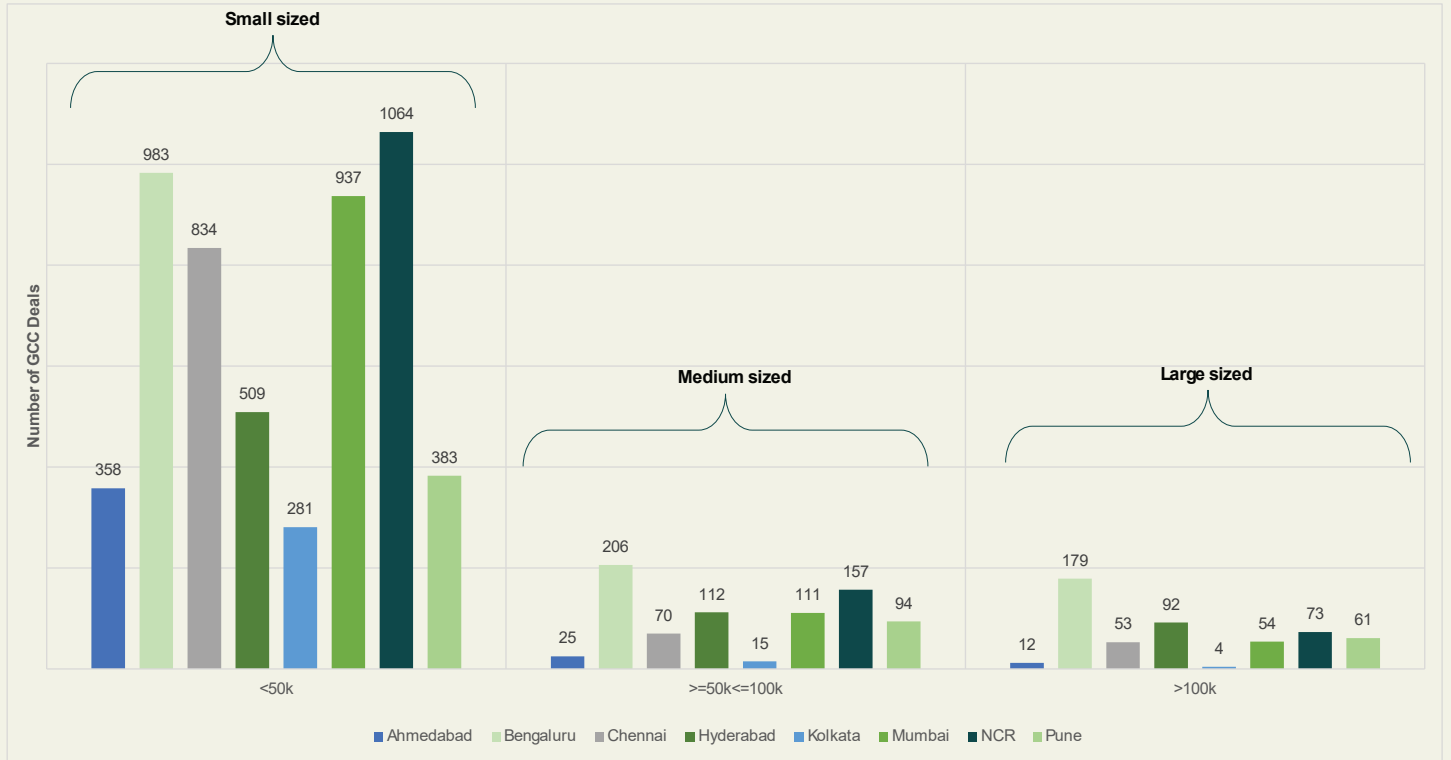
			
SOCIO ECONOMIC PARAMETERS	BUSINESS IMPERATIVES	OPERATIONS AND COST RELATED	GOVT. POLICIES & INCENTIVES
<p>City Appeal Evaluation of urban attractiveness.</p> <p>Sectoral Value Addition Measurement of sectoral contributions to the economy.</p> <p>Global Recognition International reputation and acknowledgment.</p> <p>Economic Potential Index Ranking based on economic growth potential.</p>	<p>Industry Connections Strength and extent of industry linkages.</p> <p>Innovation Ecosystem Development of innovative environments.</p> <p>Talent Development Nurturing and availability of skilled workforce.</p> <p>Research and Development Focus on intellectual property and R&D.</p>	<p>Utilities and Power Availability and reliability of power and utilities.</p> <p>Workforce and Wages Labor costs and workforce conditions.</p> <p>IT Infrastructure Quality of information and communication technology infrastructure.</p> <p>Real Estate: Accessibility and quality of real estate options.</p>	<p>Business Facilitation Ease of conducting business.</p> <p>Skill Enhancement Initiatives for skill development.</p> <p>Fiscal Measures Tax incentives and financial measures.</p> <p>Regulatory Approvals Efficiency of regulatory processes.</p>

KEY FOCUS AREAS FOR GROWTH

		
TALENT AND INNOVATION ECOSYSTEM	REAL ESTATE AND INFRASTRUCTURE	SUPPORTIVE GOVERNMENT POLICIES
<p>Ecosystem for IT and IT-enabled services, proportion of IT exports.</p> <p>Intellectual property, R&D, software centers of excellence, data centers, academia, universities, and employable talent pool.</p>	<p>Potential for commercial and IT park development.</p> <p>Models for asset acquisition – buy versus lease.</p> <p>Government and private developers.</p>	<p>ICT and sector-specific policy framework.</p> <p>Support for research and innovation.</p> <p>Skill development, center of excellence engagement, and public-private partnerships.</p>

GCC DISTRIBUTION BY SIZE

in sq ft



Data from 2018-2023

Source: Knight Frank Research

5349

GCC deals across the 8 cities under 50,000 sq ft

790

GCC deals took place between 50,000 and 100,000 sq ft

528

GCC deals of above 100,000 sq ft were the largest deals signed between 2018 and 2023.

Between 2018 and 2023, around 5349 GCC deals across the 8 cities were finalised under 50,000 sq ft, which are mostly small deals and can be termed as the small segment; 790 GCC deals took place between 50,000 and 100,000 sq ft, which can be marked as the medium segment. Around 528 GCC deals of above 100,000 sq ft were the largest deals signed between 2018 and 2023.

If we look at the weighted average rent of GCCs, Mumbai leads the chart for all the years between 2018 and 2023. Ahmedabad and Kolkata on the other hand, had the lowest weighted average rent for all the years between 2018 and 2023.

RENT AND AREA DISTRIBUTION

Weighted Average Rent

City	2018	2019	2020	2021	2022	2023	H1 2024	
Ahmedabad	49	35	40	32	35	34	45	
Bengaluru	64	82	65	67	68	67	68	
Chennai	64	67	48	62	68	74	76	
Hyderabad	60	56	59	62	70	63	79	
Kolkata	34	34	37	32	34	50	46	
Mumbai	141	62	151	102	110	118	123	
NCR	65	67	68	89	90	43	43	
Pune	64	78	85	75	79	70	72	

Total Area in mn sq ft

City	2018	2019	2020	2021	2022	2023	H1 2024	
Ahmedabad	0.20	0.43	0.46	0.09	0.46	0.05	0.02	
Bengaluru	7.21	5.16	6.89	4.09	5.19	4.73	3.98	
Chennai	0.88	1.75	3.33	1.58	1.94	5.69	1.42	
Hyderabad	2.67	3.51	2.66	3.09	3.25	3.46	3.03	
Kolkata	0.00	0.21	0.16	0.26	0.51	0.16	0.02	
Mumbai	1.46	4.75	1.95	1.40	1.31	0.61	0.29	
NCR	2.33	4.33	1.95	1.40	1.31	0.61	0.29	
Pune	2.25	1.35	0.84	1.72	2.24	2.49	0.12	

In terms of total area occupied by GCCs in sq ft, Bengaluru has the highest occupancy throughout the period from 2018 and 2023. Ahmedabad and Kolkata on the other hand, were the two cities which saw the lowest occupancy in sq ft between 2018 and 2023.



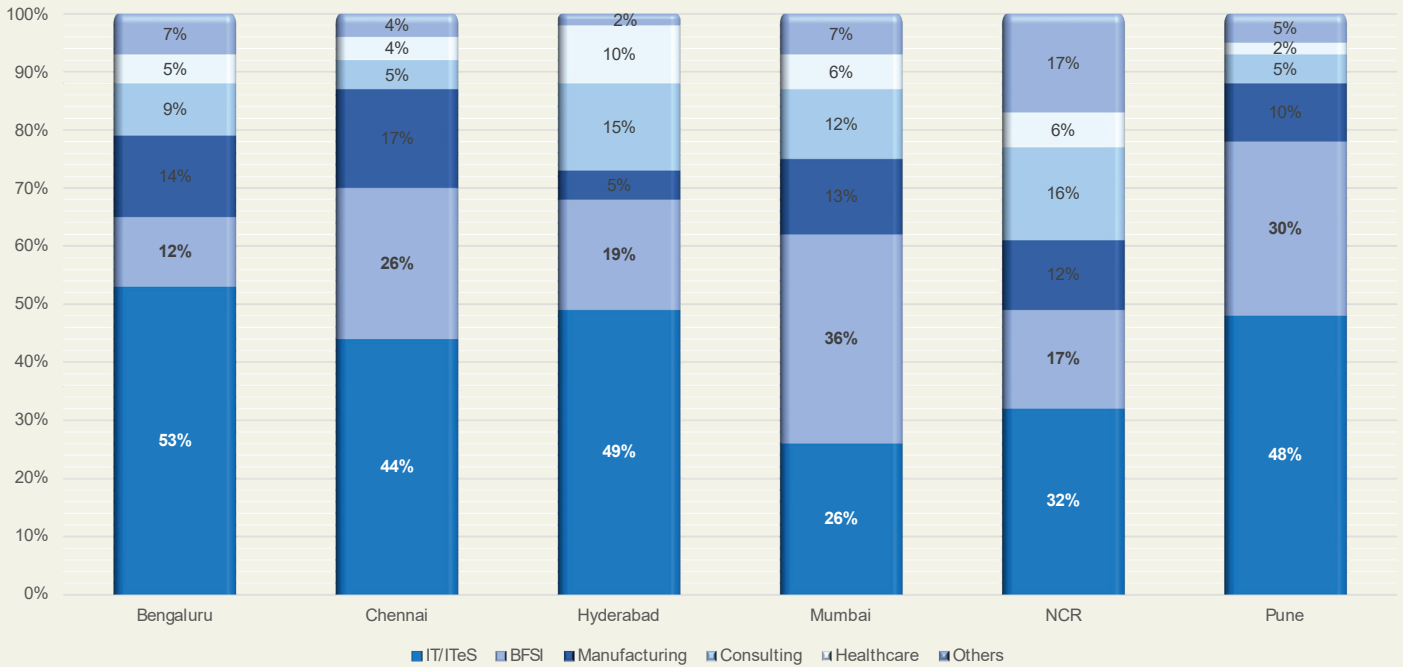
Jennifer Goschke
 VP & Country Leader
 Global Solution Center - India at 7-Eleven

“

Talent retention and Cost optimisation methods shall be crucial for the growth of GCC market in India

”

INDUSTRY SEGMENT DISTRIBUTION OF OPERATIONAL GCCS



Source: Knight Frank Research

53%

Bengaluru leads with the highest percentage of GCCs in the IT/ITeS sector.

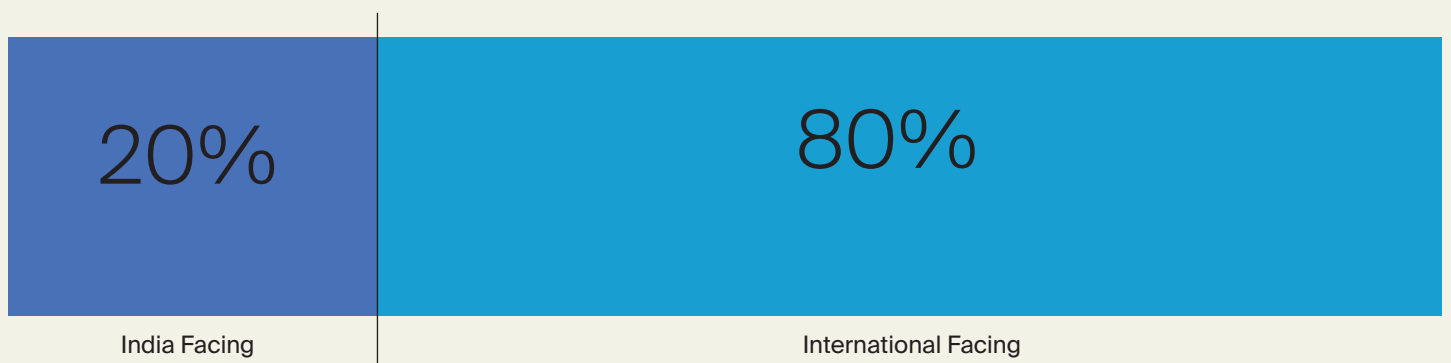
36%

Mumbai city leads with the highest percentage of GCCs under the BFSI sector

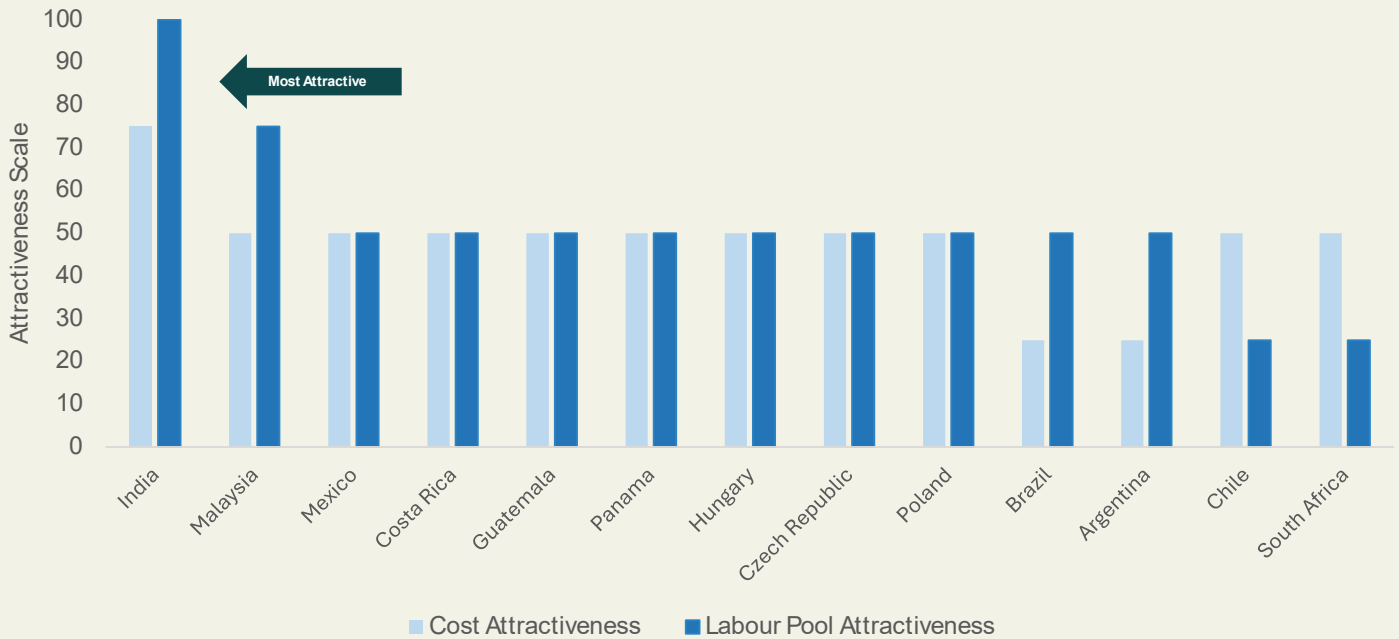
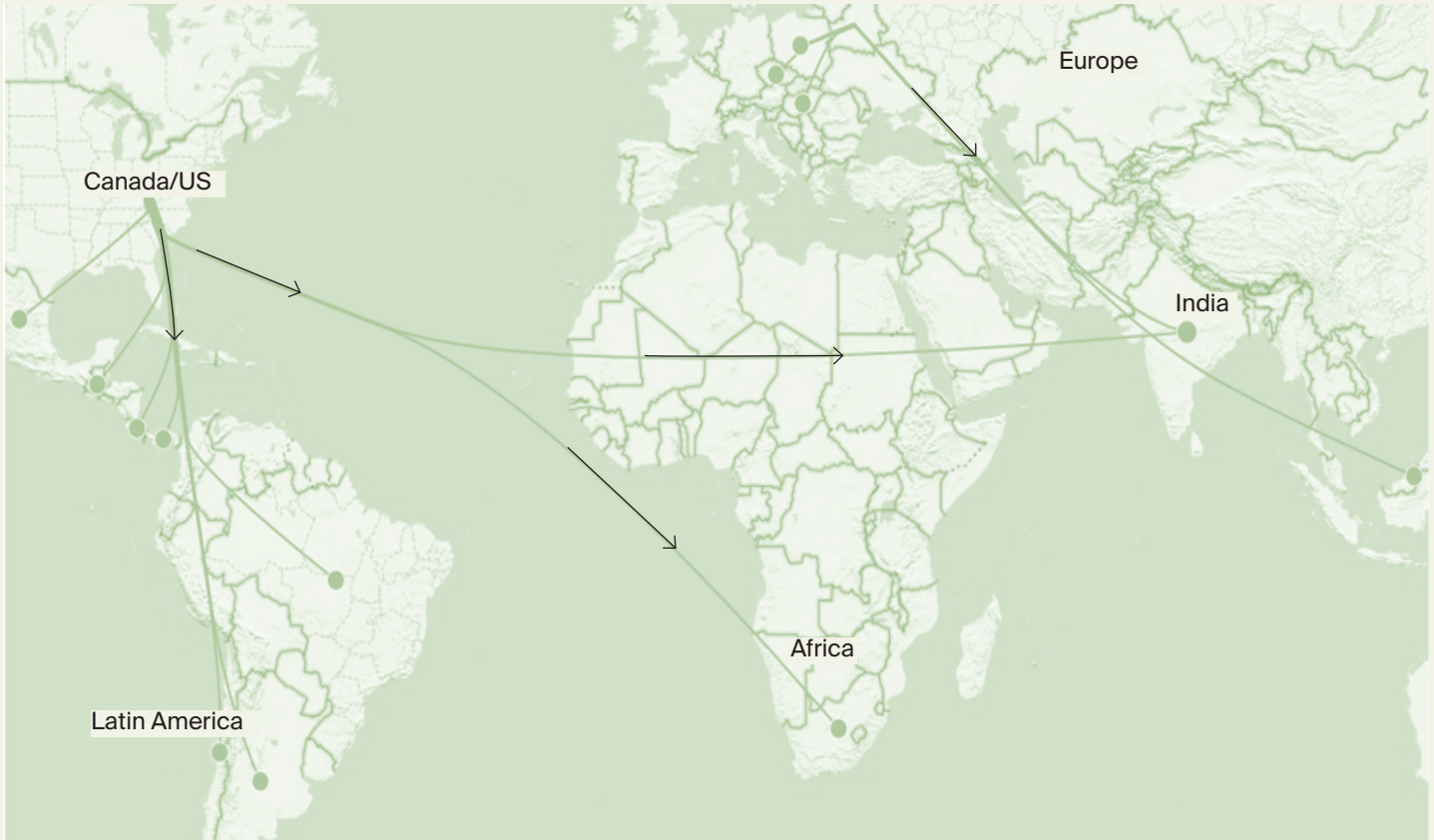
On the sector break of GCCs in India between 2018 and 2023, IT/ITeS sector GCCs still lead the chart followed by BFSI and Consulting GCCs. On the BFSI front, Mumbai city leads with the highest percentage of GCCs under the BFSI sector and Bengaluru leads with the highest percentage of GCCs in the IT/ITeS sector.

Tracking the operational aspect of the GCCs, around 80% of the GCCs are servicing international facing clients while only 20% service India facing businesses.

GCC



ATTRACTIVENESS SCALE OF GCCS ACROSS COUNTIES



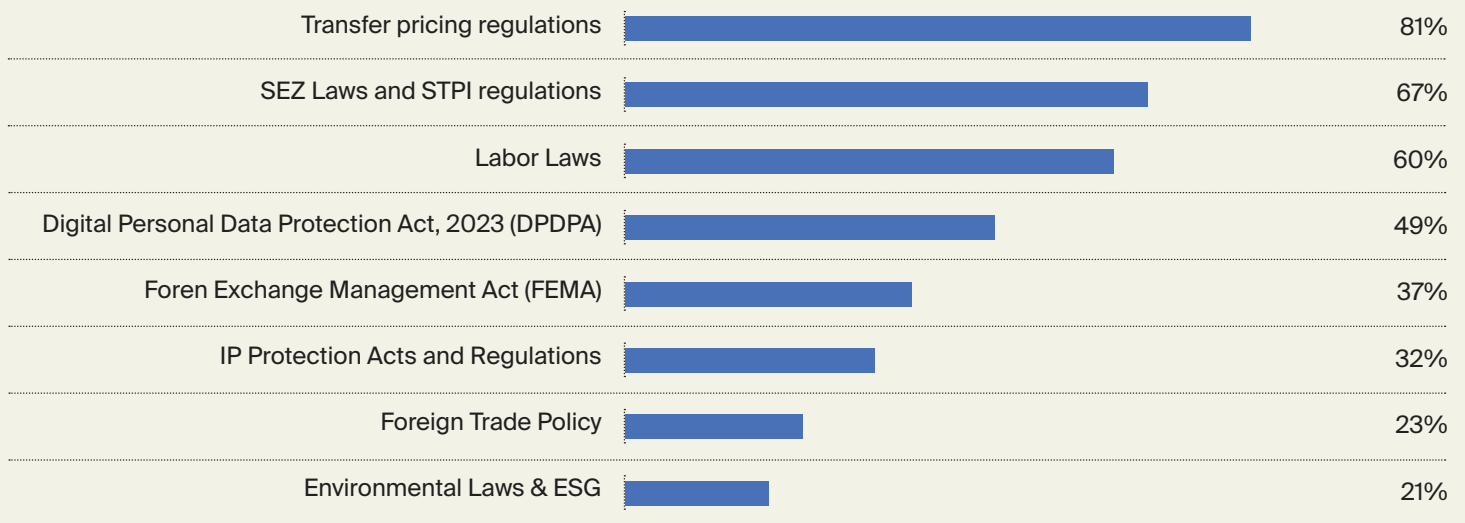
When we compare GCCs in India to those across other countries on labour pool attractiveness and cost attractiveness, India emerges as the leader and global GCC capital on both the criteria of Labor and Cost.

EVOLVING TALENT LANDSCAPE



As GCCs in India are evolving, the roles of the employees are also changing and evolving. There is a growing demand for talent with technology and digital skills such as AI/machine learning, data science, cloud architect etc. There is a shortage of such resources and retention of tech-talent is becoming difficult day by day as compared to operational roles which are easier to hire and retain. According to E&Y research, the employee cost which is the cost per Full Time Equivalent (FTE) has increased by 29% between 2019 and 2023. It is expected to increase further by 33% from now till 2030. 80% of the overall cost per FTE are salaries, while the remaining costs include travel, facility, IT and communications.

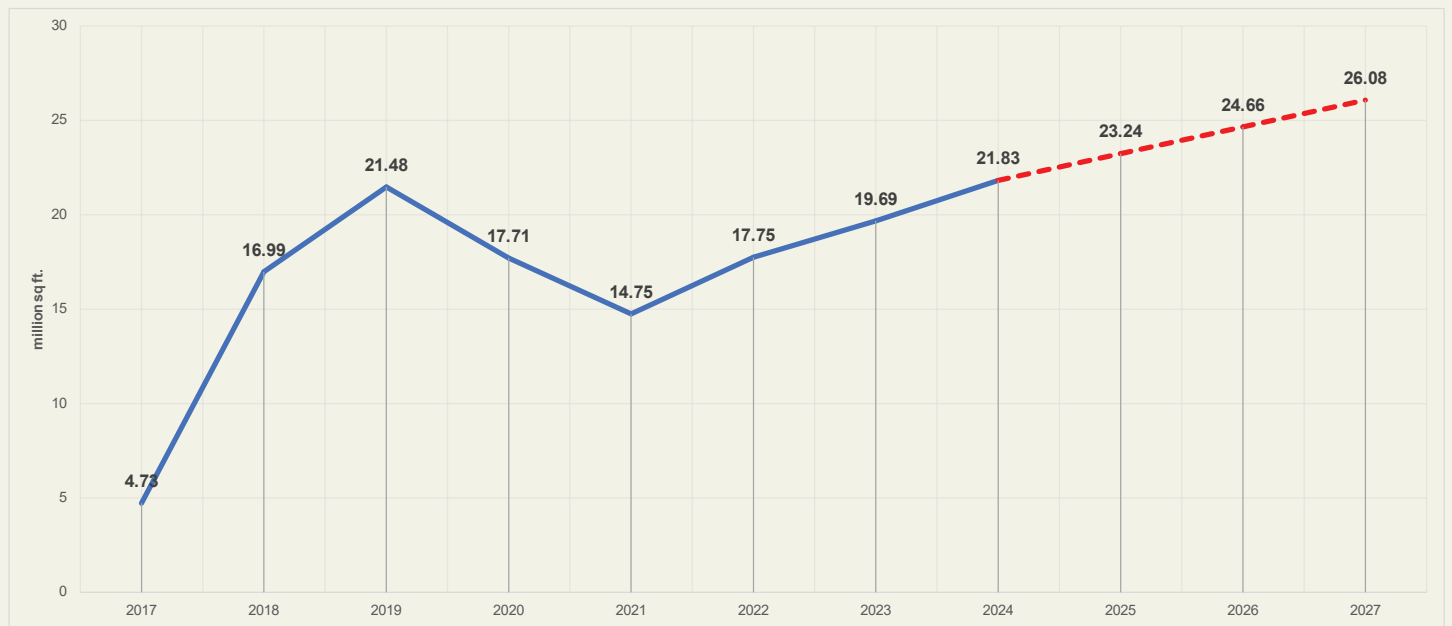
GOVERNMENT REGULATORY FRAMEWORKS



Source: Nasscom

Looking at the regulatory landscape in India for GCCs, the joint survey conducted by Nasscom and KPMG in India shows the top regulations as the key priorities for GCCs. 81% survey respondents mentioned transfer pricing regulation as a key priority for GCCs followed by SEZ laws and STPI regulations with 67% respondents mentioning it. 60% respondents mentioned labour laws as a key priority for GCCs.

GCC ABSORPTION OUTLOOK



Source: Knight Frank Research,

The absorption of office space taken up by GCCs at a pan India level is estimated to reach around 26 mn sq ft by the year 2027 which itself will be a ground breaking figure for the GCC market in India, as the global economy is in a turmoil with tight monetary policies. India has a good support system with political stability, a healthy consumption based economy and a diligent regulatory system for the financial sector. With all these factors, GCCs continue to play a vital role for multinational companies as they transition to a value chain to help them become innovation hubs and centres of excellence.

One of the major drivers of the GCCs to reach an absorption of 26 mn sq ft is software exports which remains an important part of India's service exports with offshoring services seeing a continued growth. Other important drivers for growth include a skilled workforce majorly in the technology sector, expansion into tier-2 cities as satellite centres, favourable government policies and improved infrastructure. Overall, a positive momentum growth for GCCs in India is expected with all the economic, demographic and social factors favouring India .

RECOMMENDATIONS

There are different drivers of growth for the GCCs in India that are not only limited to BFSI or Technology sector but has expanded to other sectors as well including manufacturing. With the Government of India spending around 3.5% of the GDP on infrastructure, the growth in manufacturing sector is bound to happen in the coming years. Overall there are few recommendations that we would like to place for the overall functioning and growth of GCCs in India. The major recommendations are:

Cost Optimisation Methods:

GCCs in India should explore innovative financing strategies to optimize tax savings and reduce costs. One such effective approach is the fit-out renting model which helps the GCCs to save on dividend distribution tax as they would lease all equipment and fit-outs needed in a quality office space funded by a third party provider and can in turn utilise the capital in hiring quality talent.

Exploring new Micro Markets:

As some of the office markets in cities are grappling with infrastructure and traffic woes- the industry, real estate community and the government must collectively explore newer untapped Micro locations within a city which possess talent catchment and public transport accessibility.

Flexible lease models:

The emergence of hybrid working has also given birth to flex office models with one cheque solution, limited lock-in period, ability to grow and de-grow without penalty exposure, multi-city presence of managed office players provide uniform services delivery, quick turnaround time in creating new office space etc are just some of the salient features of this model.

Exploring Tier II & III cities:

The GCC expansion into Tier-2 cities is being facilitated by increased availability of talent at lower costs, alongside improving infrastructure and social security. This combination is nurturing a highly desirable business ecosystem. During the first half of 2023, at least 5 GCCs expanded into Tier 2/3 cities such as Vadodara, Ahmedabad, Nashik, and Mysuru.

Heightened need for Buildings which are ESG & LEED compliant

ESG (Environmental, Social, and Governance) and LEED (Leadership in Energy and Environmental Design) certifications are crucial for modern office buildings occupied by GCC's. They promote sustainability, enhance energy efficiency, and reduce environmental impact. ESG and LEED standards also attract eco-conscious tenants and investors, fostering a positive corporate image. Moreover, these certifications can lead to cost savings through lower energy bills and operational costs, while supporting regulatory compliance and contributing to long-term environmental and economic resilience.



KNIGHT FRANK INDIA PVT LTD

For further information contact

Viral Desai

Senior Executive Director
Occupier Strategy & Solutions, Industrial &
Logistics, Capital Markets and Retail Agency
+91 80 6818 5699 | viral.desai@in.knightfrank.com

Rahil Gibran

National Director
Occupier Strategy and Solutions (Bengaluru)
+91 9845188868
rahil.gibran@in.knightfrank.com

Saneya Malani

Senior Director - Business Solutions
Occupier Strategy and Solutions
+91 95520 59999
saneya.malani@in.knightfrank.com

Kaushik Shah

National Director
Occupier Strategy and Solutions (Mumbai)
+91 98191 77738
kaushik.shah@in.knightfrank.com

Anand Patil

National Director
Occupier Strategy and Solutions
(NCR & Kolkata)
+91 99583 03300
anand.patil@in.knightfrank.com

P Vilas

National Director - Occupier Strategy
& Solutions Capital Markets &
Branch Head (Pune)
+91 98811 35409
p.vilas@in.knightfrank.com

Joseph Thilak

National Director
Occupier Strategy and Solutions
(Hyderabad & Chennai)
+91 95000 98371
joseph.thilak@in.knightfrank.com

Rumit Parikh

Senior Director - Occupier Strategy
and Solutions Industrial & Logistics,
and Retail
+91 99096 49953
rumit.parikh@in.knightfrank.com

Author

Januballav Goswami

Lead Consultant
Research
+91 60017 92771
januballav.goswami@in.knightfrank.com

Knight Frank LLP is a leading independent, global property consultancy. Headquartered in London, Knight Frank has 20,000+ people operating from over 600 offices across more than 50 markets. The Group advises clients ranging from individual owners and buyers to major developers, investors, and corporate tenants. For further information about the Company, please visit www.knightfrank.com

Knight Frank India is headquartered in Mumbai and has more than 1,700 experts across Bangalore, Delhi, Pune, Hyderabad, Chennai, Kolkata, and Ahmedabad. Backed by strong research and analytics, our experts offer a comprehensive range of real estate services across advisory, valuation and consulting, transactions (commercial, retail, land capital and residential), project management, and facilities management. For more information, visit www.knightfrank.co.in



3AI

Nandakumar (NK) Ramaiah

Chief Technology Officer, 3AI

nk@3ai.in

+91 96426 33311

3AI is India's largest platform & marketplace for AI & Analytics leaders & professionals with 1100+ top of line, by-invite Data, AI & Analytics leaders from 975+ organizations and 38000+ active & growing members from 32 countries. 3AI has deep outreach & penetration in the Global Capability Centers (GCC) segment with 410+ Data, AI & Analytics leaders & MDs at 3AI platform.

3AI's bespoke & by-invite forums: Upper Crest (UC), Thought Leaders Circle (TLC) & Change Makers Circle (CMC) together constitute of 1600+ eclectic & proven Data, AI & Analytics leaders from Indian & Global enterprises, GCCs, Digital Platforms, Technology, BPM, Consulting & Cloud providers, pure play analytics players & startups.

3AI is a sought-after partner with 140+ corporates, GCCs & startups for building & showcasing best-in-class thought leadership quotient, accentuating branding, mindshare & visibility, enhancing talent advocacy & outreach and augmenting professional development in the Data, AI & Analytics spheres. Over the previous five years, 3AI have impeccably curated & executed 850+ pathbreaking, differentiated engagements & interventions including events, conclaves, roundtables & bespoke speaking sessions to bring out topical & curated themes in AI & Analytics for our thought leaders, members, partner brands and ecosystem. 3AI has the largest repository of AI & Analytics content (3AI Atlas) with 1700+ features articles, blogs, thematic reports, use cases & solution accelerators along with 4000+ hours of video streaming session on 3AI Flix channel.

At 3AI, We are reimagining Data, AI & Analytics industry by democratizing thought leadership at scale and creating an integrated AI & Analytics marketplace ecosystem.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Knight Frank Research Reports
are available to download at
knightfrank.com/research



.....
Research

Vivek Rathi - National Director - Research
vivek.rathi@in.knightfrank.com

.....
Corporate - Marketing & Public Relations

Piyali Dasgupta - National Director
Corporate - Marketing & Public Relations
piyali.dasgupta@in.knightfrank.com



The statements, information, data and opinions expressed or provided herein are provided on "as is, where is" basis and concerned parties clients are required to carry out their own due diligence as may be required before signing any binding document. Knight Frank (India) Private Limited (KFPL) makes no warranties, expressed or implied, and hereby disclaims and negates all other warranties, including without limitation, implied warranties or conditions of merchantability, fitness for a particular purpose, or non-infringement of intellectual property or other violation of rights including any third party rights. Further, KFPL does not warrant or make any representations concerning the accuracy, likely results, or reliability of the use of the statements, information and opinions as specified herein. The statements, information and opinions expressed or provided in this presentation / document by KFPL are intended to be a guide with respect to the purpose for which they are intended, but in no way shall serve as a guide with regards to validating title, due diligence (technical and financial), or any other areas specifically not included in the presentation. Neither KFPL nor any of its personnel involved accept any contractual, tortious or other form of liability for any consequences, loss or damages which may arise as a result of any person acting upon or using the statements, information, data or opinions in the publication, in part or full. The information herein shall be strictly confidential to the addressee, and is not to be the subject of communication or reproduction wholly or in part. The document / presentation is based on our understanding of the requirement, applicable current real estate market conditions and the regulatory environment that currently exists. Please note: Any change in any one of the parameter stated above could impact the information in the document/presentation. In case of any dispute, KFPL shall have the right to clarify.