GCCs go to small towns with big plans

India's tier-II cities are fast becoming global corporate hotspots as multinationals expand their Global Capability Centres (GCCs) beyond traditional metros

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The expansion of Global Capability Centres (GCCs) in tier-II cities is expected to significantly shift the global operations strategy of multinational corporations.

Traditionally concentrated in major metropolitan hubs, GCCs are now recognising the untapped potential of smaller cities, driven by factors such as lower operational costs, improved infrastructure, and a growing pool of skilled talent. This shift is not only about decentralising corporate operations but also fostering economic development and job creation.

FACTORS

The expansion of GCCs into tier-II cities is largely driven by the availability of cost-effective real estate, which provides businesses with significant financial advantages. By establishing operations in these emerging locations, companies can reduce overhead expenses while still maintaining the flexibility to scale their workforce and infrastructure as needed. This strategic shift not only enhances operational efficiency but also allows organisations to invest more in talent development, technology, and innovation.

The expansion of global capability centres into emerging tier-II cities is redefining multinational corporations' global operations strategy

"Lower operating costs, better infrastructure, a trained talent pool, and government incentives are driving this expansion. Notable tier-II cities where this is evident include Coimbatore, Jaipur, and Chandigarh, which are benefiting from improved connectivity, hybrid work styles, and the rapidly developing IT/ITeS sector. Businesses beyond the major urban centres prioritise talent retention and cost-effectiveness," shares Bappaditya Basu, chief business officer, Anarock Commercial.

Prashant Sharma, president, NAREDCO Maharashtra, adds, "Tier-II cities also offer a better quality of life, lower living costs, and improved work-life balance, which is attractive both to companies and employees. As a result, the combination of affordable operations, talent availability, and improved living standards positions tier-II cities as a compelling destination for GCC expansion."

IMPACT ON THE LOCAL REAL ESTATE MARKET

The influx of employees into these areas drives growth in the retail and residential sectors, as the need for housing, shopping, and lifestyle amenities increases. "GCCs drive demand for residential properties, traditional offices, and co-working spaces. Better career prospects catalyse more professionals, which also drives up demand for homes as well as rental yields. The absorption of office spaces is good for commercial real estate developers. The rising property values close to GCC hubs encourage the development of more mixed-use projects, and they also result in better urban infrastructure, which boosts capital appreciation," opines Basu.

Many of these cities have lower urban congestion and rapidly improving infrastructure and connectivity, which in turn result in a better quality of life and therefore a lower staff turnover. Many of India's tier-II cities are very suitable for scalable, cost-optimised GCC operations.

Although tier-II cities provide several benefits, businesses encounter challenges such as gaps in advanced infrastructure and technology, which may not yet match the standards of tier-I cities.

Furthermore, certain industries may face a limited supply of specialised talent, necessitating investment in training and skill development to bridge the gap.

WHAT IS DRIVING GCC EXPANSION BEYOND METRO CITIES

- Lower operational costs and real estate prices
- Better infrastructure and hybrid work enablement
- Growing skilled talent pool and tech adoption
- Government incentives and policy support
- Improved quality of life and lower living costs

KEY CITIES LEADING THE SHIFT

- Coimbatore
- Jaipur
- Chandigarh

WHAT GCC GROWTH MEANS FOR REAL ESTATE?

- High demand for Grade A office spaces
- Rise in leasing volumes and mixed-use developments
- More co-working and flexible office models
- Surge in housing demand near office hubs
- Higher rental yields in newly developed zones
- Boost to lifestyle infrastructure and retail expansion

INVESTOR INSIGHTS

- Early investments in IT corridors offer strong returns
- Mixed-use projects offer rental and resale advantages
- Green-certified buildings are preferred by global firms

LEASING SNAPSHOT

- 63 million square feet leased by GCCs in top 7 cities between 2022 and 2024
- Nearly 80 percent of upcoming office spaces to be green-certified

"Among the potential challenges could be infrastructure limitations in some cities, issues with sourcing the right talent, and insufficient Grade A commercial real estate developments. Although expenses are reduced, scalability, ecosystem maturity, and retention of seasoned people can be hurdles. Government support and connectivity boosts do help, but companies must make long-term successful investments in digital infrastructure, work culture adaptation, and training," adds Basu.

Connectivity can also be an issue as these cities are still developing their infrastructure. "Connectivity issues, both in terms of transportation and digital infrastructure, can also pose a hurdle. Furthermore, despite growth, tier-II cities may lack the same level of ecosystem and networking opportunities that are more readily available in metro areas," shares Sharma.

INVESTMENT ANGLE

Real estate investors can capitalise on the growth of GCCs in tier-II cities by targeting the increasing demand for commercial properties, particularly office spaces, as businesses continue to expand.

Investing in premium office developments and mixed-use properties presents a lucrative opportunity, with the potential for substantial returns as more companies establish their presence in these emerging business hubs. "As professionals migrate towards these cities, demand for good homes will grow in tandem. They can also zero in on mixed-use projects that include residential, retail, and commercial segments. And finally, they need to time their investments well as early plays in developing IT corridors are the best bet for good capital appreciation and rental income flows as GCCs grow," shares Basu.

Cumulative leasing by GCCs in India's top seven cities reached over 63 msf between 2022 and the first nine months of 2024, signalling strong growth potential

Shivam Agarwal, VP of strategic growth, of a real estate group adds, "The numbers speak volumes. Cumulative leasing by GCCs in the top seven cities in India reached approximately 63 million sq ft between CY 2022 and the first nine months of CY 2024. This surge is indicative of the confidence multinational corporations have in India's talent pool and its ability to deliver high-value services. Moreover, nearly 80 per cent of new office developments over the next two to three years are projected to be green-certified, underscoring the industry's commitment to sustainability. This focus aligns perfectly with the values of global corporations seeking environmentally responsible solutions. According to a recent Nasscom report, this surge contributes to an all-time high in leasing volume, with projections indicating continued growth."

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