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NAVIGATING REAL ESTATE CHALLENGES IN ESTABLISHING GLOBAL CAPABILITY CENTRES IN INDIA

Introduction

India has established itself as a leading destination for Global Capability Centres (GCCs) owing to a powerful blend of advantages. A major strength lies in the availability of a highly qualified workforce. Professionals with expertise in engineering, finance, data science, legal, and compliance domains form a strong talent base capable of managing complex, and knowledge-driven business functions. Although cost efficiency remains relevant, organizations are now emphasizing broader priorities.

Businesses increasingly seek sustainable value, innovation capabilities, and strong governance frameworks rather than focusing solely on cost reduction. Indian teams are well-positioned to deliver these outcomes, making the country an ideal choice for strategic operations. The overall ecosystem supporting GCCs in India has also evolved considerably. Key cities such as Bengaluru, Hyderabad, Pune, and the National Capital Region provide advanced infrastructure, extensive hiring networks, and a growing pool of professionals experienced in global service delivery. Together, these factors solidify India's status as a top-tier hub for building and expanding GCC operations.

The rapid rise of GCCs in India has sparked a commercial real estate renaissance. From the current 1,950 GCC units operating in India, the figure is predicted to soar to 2,500 in just three to four years. These centres are now the backbone of India's commercial real estate market, accounting for a whopping 40% of office space leasing from 2016 to 2024. Yet, this boom reveals a tangled web of infrastructure and regulatory hurdles that multinational companies must deftly navigate.

The Scale of GCC Real Estate Demand

GCCs dominate India's workspace market, and their unrelenting appetite for premium office property shows no signs of abating. In 2024 alone, GCCs leased a staggering 27.7 million square feet of Grade A+ commercial space, representing 36% of the total office space absorption in 2025. Bengaluru leads the charge, capturing 47% of the demand, while Hyderabad and Chennai closely follow. Together, these three cities account for 75% of the GCC space demand in India. This concentration in Tier 1 and Tier 2 cities brings both golden opportunities and formidable challenges. It has sparked fierce competition for premium office spaces, reshaping the real estate landscape.

Why Location is Key for GCCs

The selection of an appropriate location is a critical determinant for the success of a GCC. Competitive real estate and rental prices, along with lower labour costs and reduced operational expenses, make cost efficiency a primary consideration. Well-developed infrastructure and strong connectivity further enhance savings and operational effectiveness. Access to a skilled and diverse workforce is equally essential, making regions with quality educational institutions and a mature talent pool highly attractive. Linguistic proficiency and cultural alignment play a significant role, particularly for GCCs serving global clients across various regions and time zones, ensuring smooth communication and effective service delivery.

Reliable infrastructure, including uninterrupted power supply, advanced communication systems, and robust transportation networks, are indispensable for seamless operations. Additionally, government policies and regulatory frameworks exert a strong influence on location decisions. Investor-friendly regulations, political stability, and fiscal incentives under schemes such as the Special Economic Zones schemes or Software Technology Park of India schemes increase the viability of a location. Finally, the potential for scalability is a key consideration as GCCs prefer locations that can support future growth and expansion, that allow businesses to maintain continuity and avoid the high costs associated with relocation. Collectively, these factors define the cost-effectiveness, efficiency, and long-term sustainability of GCC operations, making location a strategic priority.

Models for Setting Up GCCs In India

Companies use various models to establish and operate GCCs in India, depending on investment and control needs. Options include full ownership and long-term use, lease for fixed-term occupancy without ownership costs, and license for short-term, low-investment arrangements. Collaborative approaches like joint ventures/ development partnerships enable custom-built facilities with shared risk, while GCC-as-a-Service offers a scalable, managed solution on a pay-as-you-grow basis. The Build-Operate-Transfer (BOT) model allows service providers to set up and manage operations initially, with eventual transfer to the organization.

Legal, Regulatory and Compliance Challenges

Establishing a GCC in India requires navigating a labyrinthine maze of statutory regulations. These encompass real estate leasing, land acquisition, development approvals, environmental clearances, and corporate compliance. A comprehensive understanding of these regulations and strategic risk management is crucial for multinational companies seeking suitable premises without undue delays.

Other major obstacles include the lack of a centralized property database, limited availability of title insurance, and market volatility which impact financial planning and risk management. High transaction costs, such as stamp duty, registration fees, property tax, development premiums, and taxes, further increase the financial burden. These complexities highlight the need for comprehensive due diligence, legal expertise, and engagement with local consultants to mitigate risks and ensure smooth execution of GCC projects in India.

Leasing Structure and Enforcement

In India, commercial lease arrangements are governed by the Transfer of Property Act, 1882, alongside various state-specific tenancy laws.

Key considerations in these arrangements include:

- Sub-leasing and Assignment: Agreements lacking restrictions allow tenants to sub-lease or assign premises, though most require landlord consent. Sub-leasing for profit is typically prohibited, and assignments are limited to affiliates.
- Force Majeure Clauses: Often missing from these agreements, it is essential for parties to define triggering events and procedures to tackle disruptions like pandemics.
- Stamp Duty and Registration: The applicable stamp duty must be paid on lease deeds as per state laws, often calculated as a percentage of the total rental value. Registration with the local Sub-Registrar must occur within a period of four months of the execution of the document. Unstamped or unregistered instruments are inadmissible in court.

Incentive Framework and Special Economic Zones

Various State Governments offer both fiscal and non-fiscal incentives to GCCs, particularly those in Information Technology (IT) and IT-enabled services (ITES). These perks often include stamp duty waivers, rental subsidies, and employment grants in States like Karnataka and Maharashtra. Additionally, customs and tax exemptions await GCC entrants in Special Economic Zones, provided they secure approval from relevant authorities and strictly adhere to operational conditions.

Land Acquisition and Title Clarity

While most GCCs prefer leasing existing Grade A office spaces, built-to-suit projects trigger stringent land acquisition requirements under the Land Acquisition Rehabilitation and Resettlement Act, 2013. This law mandates consent from at least 80% of the affected families. Moreover, conducting due diligence on fragmented land records frequently necessitates government intervention to consolidate parcels under a single leasehold. Social impact assessments—a time-consuming endeavour—are also mandatory.

Real Estate Regulatory Authority

The Real Estate (Regulation and Development) Act, 2016, lays down the groundwork for commercial developments meeting specific criteria. These include mandatory registrations for commercial projects covering 500 or more square meters or offering eight or more units, including co-working spaces. Developers are required to disclose project timelines, legal titles, and escrow-account arrangements for advance lease payments, facing penalties for any delays or defects.

Development Approvals and Environmental Clearances

Greenfield or built-to-suit developments require a host of statutory clearances. These include changes of land use, layout approvals from municipal authorities, building permits, fire safety clearances, and environmental clearances for construction projects. Consent to operate under Air and Water Acts, is also a prerequisite.

Corporate and Tax Compliance

Choosing the right legal entity and ensuring operational compliance are critical for real estate transactions. The type of business structure—whether wholly-owned subsidiary, branch office, or LLP—affects property ownership and tax liabilities. For Foreign Direct Investment, approvals may be required depending on the investment sector. Moreover, commercial leases are subject to an 18% Goods and Services Tax, with input tax credits contingent on proper invoicing and compliance. Municipal property tax rates can range from 18% to 20% of the annual rental value, complicating real estate planning further.

Conclusion

India has firmly positioned itself as a global hub for GCCs, driven by its deep talent pool, evolving ecosystem, cost advantages, and innovation capabilities. The growing concentration of GCCs in Tier 1 and Tier 2 cities highlights the country’s strategic importance in global business operations. This rapid expansion, however, also brings challenges—ranging from infrastructure constraints to complex legal and regulatory requirements—that companies must navigate with precision.

To succeed, businesses must adopt a holistic approach that combines strategic location selection, appropriate operating models, rigorous legal due diligence, and proactive compliance management. Given the exponential growth in the number of GCCs, India's role in shaping the future of global business operations is undeniable. For multinational corporations, India offers not just a cost-efficient destination but a long-term value-driven ecosystem for building resilient, scalable, and innovation-led GCCs.

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