Contractor Profit Margins by Trade: 2026 Benchmarks & Targets

Average profit margins by trade: roofing, HVAC, plumbing, electrical, painting, landscaping. Net vs gross benchmarks by revenue size + margin improvement tactics.

Gross vs Net Margin: What Contractors Actually Need to Know

Before we get into benchmarks by trade, you need to understand the two numbers that define your business health. Gross margin and net margin measure fundamentally different things, and confusing them is why so many contractors think they are profitable when they are not.

Gross margin measures how much money you keep from each job after paying the direct costs to complete it. These are the costs you can point at and say "I spent this on that specific job" -- materials, labor, subcontractors, permits, equipment rental. If a roofing job brings in $15,000 in revenue and costs $8,500 in direct costs, the gross margin is 43.3%.

Net margin is the number that actually matters for your bank account. It measures what you keep after paying everything -- direct costs plus all the overhead that keeps your business running. Insurance premiums, truck payments, tool replacement, office costs, marketing, software subscriptions, your salary for the hours you spend on estimates, admin, and management rather than billable work.

Here is a concrete example. A painting contractor bills $400,000 per year. Direct costs (paint, supplies, crew wages) total $200,000, giving a gross margin of 50%. Sounds great. But overhead eats another $140,000 -- insurance ($8,000), two trucks ($24,000), tools and equipment ($6,000), marketing ($18,000), office and software ($12,000), bookkeeper ($15,000), and the owner's 20 hours per week of unbillable work valued at $57,000. Net profit: $60,000. Net margin: 15%. Still healthy, but a very different picture than the 50% gross margin suggests.

What Are Direct Costs?

Direct costs are expenses tied to specific jobs. They scale with your volume -- the more jobs you do, the more you spend on direct costs. For most contractors, direct costs fall into four categories:

- Materials: Everything purchased for the job including tax, delivery fees, and restocking fees on returns. Use actual cost, not estimated cost.
- Labor: Not the hourly wage -- the fully burdened rate. A worker earning $28/hr costs you $40-$47/hr after workers comp, payroll taxes, health insurance, PTO, and unemployment. The burden factor typically adds 40-68% on top of the base wage.
- Subcontractors: Actual invoiced cost from subs, including any markup they charge.
- Permits and inspections: Fees, plus the labor time to pull permits and schedule inspections. Often forgotten in estimates.

What Is Overhead?

Overhead runs whether you complete one job or fifty. It is the cost of existing as a business. Most contractors dramatically underestimate their overhead because many of these costs feel like personal expenses or get lumped into

"miscellaneous."

- Insurance: General liability, commercial auto, umbrella, bonding ($3,000-$15,000/year depending on trade and coverage)
- Vehicles: Payments, fuel, maintenance, registration, commercial insurance ($800-$1,200/month per truck)
- Tools and equipment: Purchase, maintenance, replacement, calibration
- Office: Rent or home office, utilities, internet, phone
- Marketing: Website, SEO, Google Ads, yard signs, wrapped trucks, lead services
- Software: CRM, estimating tools, accounting, project management
- Administrative labor: Office manager, bookkeeper, dispatcher, or your own time doing those tasks
- Owner non-billable time: The 15-25 hours per week you spend on estimates, admin, sales, and management that never get billed

Average Contractor Profit Margins by Trade

These benchmarks are drawn from industry surveys, SBA data, and the actual job cost data we see from contractors using BuildFolio. They represent the range for established contractors running legitimate businesses with proper insurance, licensed workers, and real overhead. The guy doing cash jobs from a pickup truck will show different numbers, but he is also one audit away from a very bad year.

Trade	Gross Margin	Net Margin	Revenue Range	Key Cost Driver
Roofing	40-50%	10-20%	$8K-25K/job	Materials (30-40% of job)
HVAC	45-55%	12-22%	$5K-15K/job	Equipment + licensing
Plumbing	50-60%	15-25%	$300-8K/job	Labor (skilled trade premium)
Electrical	50-60%	15-25%	$500-10K/job	Labor + code compliance
Painting	45-55%	15-25%	$2K-10K/job	Labor (60-70% of job)
Landscaping	35-45%	8-15%	$1K-20K/job	Labor + seasonal variation
General Contractor	25-35%	8-15%	$20K-200K/job	Subcontractor management
Remodeling	30-40%	10-18%	$10K-100K/job	Change orders + scope creep

Roofing: 40-50% Gross, 10-20% Net

Roofing is a materials-heavy trade. Shingles, underlayment, flashing, and nails typically represent 30-40% of the total job cost, which compresses gross margins compared to labor-intensive trades. The upside: high average ticket sizes ($8,000-$25,000 per job) mean that even moderate margins generate substantial dollar profit per job. A roofer running at 45% gross margin on a $15,000 re-roof clears $6,750 in gross profit before overhead.

The top-performing roofing companies differentiate on volume and efficiency. They run tight crews that can complete a standard re-roof in one day, they buy materials at volume discounts that save 8-15% versus retail, and they use satellite measurement tools to eliminate the cost of on-site estimates. Storm restoration work can push gross margins to 55-60% but carries higher overhead from insurance supplement negotiations and longer receivables cycles.

Net margins in roofing range widely because overhead structures vary. A two-truck operation with an owner who does estimates and manages crews can run 18-20% net. A company with a sales team, office staff, and marketing budget might run 10-14% net on higher volume. The trade-off is scalability versus margin percentage.

HVAC: 45-55% Gross, 12-22% Net

HVAC is one of the most profitable trades for contractors who run their business properly. The combination of equipment sales (furnaces, air conditioners, heat pumps), installation labor, and recurring service agreements creates multiple revenue streams with different margin profiles. Equipment installations run 40-50% gross margin. Service calls and repairs run 55-70% gross. Maintenance agreements run 60-75% gross because the labor is predictable and the upsell opportunity is built in.

The key margin driver in HVAC is the service agreement base. A company with 500 maintenance agreements has $150,000-$250,000 in predictable annual revenue with 65%+ gross margins. That recurring revenue base covers a significant portion of overhead, which means every installation and repair job has a lower overhead allocation and higher net margin. HVAC contractors without a service agreement program are leaving the most profitable revenue stream on the table.

Licensing requirements also protect HVAC margins. You cannot legally install or repair HVAC equipment without proper licensing in most states, which limits competition and supports premium pricing. The 2025 refrigerant transition to A2L refrigerants has further raised the barrier to entry, as technicians need additional training and certification.

Plumbing: 50-60% Gross, 15-25% Net

Plumbing consistently shows the highest contractor profit margins of any trade, and the reason is straightforward: the work is essential, the licensing barriers are high, and a significant portion of revenue comes from emergency service calls where the customer has zero leverage on price. When a sewer line backs up at 6 AM on a Sunday, the homeowner is not shopping three quotes.

Material costs in plumbing are relatively low compared to the job price. A typical service call might involve $30-$80 in parts but bill $350-$800 depending on the complexity and urgency. Even large jobs like water heater replacements have material costs (the unit plus fittings) representing only 25-35% of the total price. The rest is skilled labor, diagnostic expertise, and the value of solving an urgent problem.

Flat rate pricing has become standard in residential plumbing, and it is a major margin driver. A plumber using a well-constructed price book charges $450 to replace a kitchen faucet whether the job takes 30 minutes or 90 minutes. The faster and more skilled the plumber, the higher the effective hourly revenue. Top-performing plumbing companies report effective hourly revenues of $300-$500 per technician using flat rate pricing.

Electrical: 50-60% Gross, 15-25% Net

Electrical work mirrors plumbing in its margin profile for similar reasons: strict licensing requirements, essential services, and a high labor-to-material ratio. Panel upgrades, rewiring, and code compliance work command premium pricing because the consequences of poor electrical work are severe and customers cannot legally do the work themselves.

The growth of EV charger installations and solar panel electrical tie-ins has added a high-margin service line for electricians. A Level 2 EV charger installation typically costs $300-$600 in materials and bills $1,200-$2,500 depending on panel capacity and circuit distance. That is 60-75% gross margin on a growing demand category. Electricians who position themselves in the residential EV and solar market are capturing some of the highest margins in the industry.

Code compliance and inspection work also supports premium pricing. Homeowners selling a property, insurance companies requiring upgrades, and commercial tenants needing code-compliant build-outs all represent non-negotiable demand. The customer needs the work done by a licensed electrician, and the timeline is usually driven by a transaction or regulatory deadline rather than discretionary budget.

Painting: 45-55% Gross, 15-25% Net

Painting has the highest labor-to-material ratio of any major trade. Paint and supplies represent only 15-25% of the job cost. The rest is labor. This means painting margins are almost entirely a function of crew efficiency, accurate time estimation, and the ability to avoid costly rework or callbacks.

The low barrier to entry in painting (no licensing in most states) creates downward price pressure from new competitors. The contractors who maintain healthy margins do so through reputation, consistency, and scope management. A painting contractor who takes 45 minutes to walk a job, writes a detailed scope with exact paint specifications and surface prep requirements, and presents a professional estimate will consistently outperform the guy who eyeballs the house and texts a number.

Interior repaints and cabinet refinishing are the highest-margin segments within painting. Interior work eliminates weather risk, requires less equipment, and allows for tighter scheduling. Cabinet refinishing commands $4,000-$12,000 for work that often takes 2-3 days of labor, with material costs under $500. The gross margin on cabinet work frequently exceeds 60%.

Landscaping: 35-45% Gross, 8-15% Net

Landscaping operates at lower margins than most other trades for two structural reasons: seasonal revenue concentration and high labor intensity with relatively unskilled labor. In northern markets, revenue drops 60-80% from November through March, but many overhead costs (vehicle payments, insurance, equipment storage) continue year-round. The summer months must generate enough profit to cover winter overhead, which compresses the effective annual margin.

The highest-margin landscaping companies solve the seasonality problem with recurring maintenance contracts. A company with 200 weekly maintenance accounts at $150/month generates $360,000 in predictable annual revenue. Maintenance work runs 45-55% gross margin because it is repetitive, predictable, and efficient. Installation and hardscaping projects typically run 30-40% gross but are less predictable and more labor-variable.

Labor management is the make-or-break factor in landscaping margins. Crew efficiency, route optimization, and equipment utilization determine whether a landscaping company runs 12% net or 6% net. The companies that invest in GPS routing, crew tracking, and job costing consistently outperform those that manage by instinct.

General Contracting: 25-35% Gross, 8-15% Net

General contractors show the lowest gross margins of any major category, but that does not mean they are the least profitable. The reason for lower gross margins is structural: a significant portion of the work is performed by subcontractors, and the sub's invoice is a direct cost to the GC. On a $150,000 home addition, the GC might have $90,000-$110,000 in subcontractor and material costs, leaving a gross margin of 27-40%.

The GC's value is coordination, project management, quality control, and risk management. The margin compensates for the complexity of managing 8-12 subcontractors, handling permitting and inspections, managing customer expectations, and bearing the liability for the entire project. GCs who try to compete on price alone are racing to a bottom that ends in insolvency.

Change order management is the single biggest margin variable for general contractors. A well-documented scope of work with clear change order pricing protects margins. Verbal agreements, vague scopes, and the desire to keep the customer happy by absorbing extra work are how GC margins go from 35% to 20% on a single project. The discipline to price every change and get written approval before performing the work separates profitable GCs from busy broke ones.

Remodeling: 30-40% Gross, 10-18% Net

Remodeling occupies a middle ground between specialty trades and general contracting. The work combines subcontractor management (like a GC) with direct labor in specific trades (like a specialty contractor). Kitchen and bathroom remodels are the highest-volume segments, with average ticket sizes of $25,000-$75,000 for kitchens and $15,000-$40,000 for bathrooms.

Scope creep is the primary margin killer in remodeling. The customer decides mid-project that they want to move a wall, upgrade the countertop, or add a tile accent. Each change disrupts the schedule, requires new material orders, and adds labor. Without disciplined change order processes, remodelers routinely see project margins drop 8-12 percentage points from estimate to completion.

Design-build remodeling firms command the highest margins in this category, typically 38-48% gross. By controlling the design process, they reduce the number of customer-driven changes, specify the exact materials and fixtures, and sell a complete package rather than competing on price per line item. The design fee itself ($2,000-$8,000 for a kitchen remodel) is nearly 100% margin.

Why Most Contractors Underestimate Costs

In conversations with hundreds of contractors, we hear the same thing: "I know my margins." Then we look at the numbers. The pattern is remarkably consistent -- the margin they think they are running is 5-10 percentage points higher than their actual net margin. The gap comes from costs that are real, recurring, and almost universally ignored in job estimates.

Vehicle Costs

The IRS standard mileage rate is $0.70/mile in 2026. Most contractors drive 15,000-25,000 business miles per year. That is $10,500-$17,500 in vehicle costs per truck, per year. If you have three trucks, that is $31,500-$52,500. But most contractors do not track mileage. They see the gas receipt and the truck payment but do not allocate depreciation, maintenance, tires, registration, or commercial insurance. The real cost per truck typically runs $800-$1,200 per month all-in.

Insurance

Insurance costs vary dramatically by trade and state. Roofing contractors pay the most -- general liability premiums of $5,000-$15,000 per year are common, with workers comp rates of $15-$30 per $100 of payroll. Painting and landscaping pay less, but still $3,000-$8,000 per year for GL coverage. Commercial auto, umbrella policies, and bonding add another $2,000-$6,000. These are annual costs that need to be divided across all jobs, but many contractors treat insurance as a "business expense" that does not factor into job pricing.

Tool Replacement and Wear

Power tools last 2-5 years under daily commercial use. A framing crew might go through $3,000-$5,000 in tool replacement annually. Hand tools, safety equipment, blades, bits, and consumables add another $1,000-$3,000. This is not dramatic spending -- it is a $200 drill here, a $400 saw there, $80 in blades every month. But it is real cost that erodes margins if untracked.

Unbillable Time

This is the biggest hidden cost for most contractors and the hardest one to face honestly. Consider the hours you spend every week that never appear on an invoice:

- Estimates and site visits: 5-15 hours per week for most owners. If you close 1 in 3, two-thirds of this time generates zero revenue.
- Drive time: 1-2 hours per day between jobs, to suppliers, to the office. That is 250-500 hours per year.
- Callbacks and warranty work: The labor to fix problems on completed jobs. Industry average is 2-5% of total labor hours.
- Punch list and final touches: The last 5% of a job takes 15% of the time. Often not accounted for in estimates.

If you value your time at $60/hr (reasonable for an owner) and spend 20 unbillable hours per week, that is $62,400 per year in overhead that most contractors never calculate.

Administrative Time

Invoicing, scheduling, following up on payments, ordering materials, managing permits, returning phone calls, responding to emails, updating the website, posting on social media, bookkeeping, tax preparation, and compliance paperwork. For a solo operator, this easily consumes 10-15 hours per week. For a company with a few employees, it is more. If nobody is doing this work, the business suffers. If you are doing it yourself, it is real cost.

Bad Debt

Not every customer pays. Industry surveys show that contractors experience bad debt rates of 1-5% of annual revenue. On $500,000 in revenue, that is $5,000-$25,000 in work you performed for free. Progress billing, upfront deposits, and credit checks reduce bad debt, but they do not eliminate it. If you are not building a bad debt allowance into your pricing, you are absorbing this cost from your profit.

That is $200,400 in overhead on $600,000 revenue, or 33.4%. If this contractor prices jobs using only direct costs and a 20% markup, they are losing money on every single job. The 20% markup does not even cover the 33.4% overhead, let alone generate profit. This is exactly how contractors stay busy, work hard, and end the year wondering where the money went.

How to Improve Your Contractor Profit Margins

Improving margins is not about one dramatic change. It is about stacking multiple small improvements that compound across every job. A 5% improvement in labor efficiency, a 3% reduction in material waste, and a 7% price increase do not add up to 15% -- they multiply. The combined effect on your net margin is often transformative.

1. Track Every Job's Actual Profit

You cannot improve what you do not measure. After every job, compare what you estimated to what you actually spent -- materials, labor hours, subcontractor costs, everything. Most contractors estimate jobs and never look back. They assume the job went as planned because the customer paid and they moved on to the next one. The reality is that jobs routinely come in 8-15% over estimated cost, and without tracking, this margin erosion is invisible.

Start simple. At the end of each job, write down the actual material cost, actual labor hours, and any unexpected expenses. Compare to your estimate. After 20 jobs, you will see patterns: maybe you consistently underestimate labor on bathroom remodels by 12%, or your material waste on exterior painting runs 8% higher than estimated. Those patterns become pricing corrections that improve every future estimate.

2. Bill for the Estimate

Free estimates are the most expensive marketing tool in contracting. If your estimating process takes 1-3 hours per job

including drive time, site visit, measurement, and estimate preparation, and you close 30% of your estimates, each closed job absorbs the cost of 3.3 estimates. At $60/hr (a conservative value for owner time), that is nearly $600 in estimating overhead per closed job.

Solutions: charge a diagnostic or estimate fee ($75-$200) that gets credited toward the contract if the customer hires you. This does three things: it recovers some estimating costs, it pre-qualifies serious buyers (tire-kickers do not pay for estimates), and it positions you as a professional rather than a commodity. Alternatively, use satellite measurement tools to pre-qualify and pre-price jobs remotely before committing to a site visit.

3. Reduce Material Waste

Material waste typically runs 5-15% for contractors who estimate by eye or use rough measurements. Accurate measurements -- whether from satellite imagery, laser tools, or detailed takeoffs -- reduce waste to 2-5%. On $150,000 in annual material spending, cutting waste from 10% to 3% saves $10,500 per year. That flows directly to net profit.

Beyond measurement accuracy, waste reduction means better jobsite management: proper storage to prevent damage, realistic ordering to avoid over-purchasing, and return policies with suppliers for unused materials. Develop a relationship with 2-3 suppliers and negotiate return policies. The ability to return unused materials at full credit can save 2-3% of annual material costs.

4. Increase Average Ticket

Upselling is not about pressure -- it is about presenting options. Every job should include at least three tiers: a basic option that solves the immediate problem, a mid-range option that adds value, and a premium option that is the best possible solution. Most customers choose the middle option, which is typically 15-30% higher than the basic price they would have received if you only quoted one number.

Bundling services is another effective strategy. A roofer who offers gutter replacement at the time of re-roofing captures additional revenue at higher margins (the crew is already on-site, the setup cost is zero). A plumber who recommends water heater maintenance during a service call for a leaky faucet adds a $150-$250 service with minimal incremental cost. The additional revenue from bundling typically runs 65-80% gross margin because there is no additional overhead allocation.

5. Fire Bad Customers

Not all revenue is good revenue. Late payers, scope creepers, serial complainers, and customers who demand premium service at budget prices cost more to serve than they generate in profit. A customer who pays 60 days late costs you the time value of money plus the administrative cost of follow-up calls, reminder emails, and collection efforts. A customer who expands scope without paying for changes turns a profitable job into a break-even project.

Do the math. If a difficult customer generates $20,000 in revenue but requires 40% more labor time, three callbacks, and 90-day payment terms, the real margin on that customer is often near zero or negative. Replacing them with a customer who pays on time and respects scope boundaries improves your margin on the same revenue by 10-15 points.

6. Negotiate Better Material Pricing

Volume discounts from suppliers are available to almost every contractor, but many never ask. Start with your top three materials by annual spend. Approach your supplier with actual numbers: "I purchased $45,000 in shingles from you last year. What pricing can you offer if I commit to buying exclusively from you this year?"

Even small discounts compound significantly. A 5% discount on $100,000 in annual material purchases saves $5,000

per year. Combined with reduced waste from better measurements, the total material cost reduction can reach 10-12%, which adds 4-5 percentage points to your net margin.

The Profit Tracking Problem

Here is the uncomfortable truth about contractor profit margins: most of the numbers contractors cite are wrong. Not intentionally wrong. They are wrong because the tools most contractors use to track profitability were not built for job-level profit tracking.

Why Spreadsheets Fail

The typical contractor's "margin tracking" is a spreadsheet with columns for job name, estimated cost, revenue, and a calculated margin. The problem: the estimated cost number almost never gets updated with actual costs after the job is complete. The spreadsheet shows estimated margins, not real margins. And estimated margins are almost always more optimistic than reality.

Even contractors who try to update their spreadsheets face a data problem. Material receipts come from three different suppliers and the credit card statement. Labor hours are tracked (maybe) on a whiteboard in the shop. Subcontractor invoices arrive weeks after the job is done. Pulling all of that together for every job takes time that nobody has, so it does not happen.

Why Accounting Software Is Not Enough

QuickBooks tells you whether the business made money last quarter. It does not tell you whether the Johnson kitchen remodel was profitable, whether your bathroom remodels consistently underperform your target margin, or whether your labor efficiency on painting jobs has declined 12% since you hired the new crew. Accounting software tracks money flowing in and out of the business. It does not track profit at the job level, which is the only level where you can actually make changes.

What Job-Level Profit Tracking Looks Like

Most contractors we talk to say they "know their margins." When we look at the actual numbers, their real net margin is 5-10% lower than they thought. The gap comes from overhead they are not allocating, labor time they are not tracking, and material costs they are estimating rather than recording.

Real profit tracking means every completed job shows three numbers: actual revenue, actual total cost (direct + allocated overhead), and actual net margin. When you can see those three numbers for every job completed in the last 12 months, patterns emerge instantly. You might discover that your most popular service line is your least profitable. Or that jobs over a certain size consistently underperform because you underestimate the project management overhead. Or that one crew consistently delivers 8% higher margins than another because of waste management and efficiency.

BuildFolio was built specifically to solve this problem. Every completed job shows actual revenue, actual costs, and actual margin -- not what you estimated, but what really happened. The profit dashboard shows margin trends over time, identifies which job types are most profitable, and spots jobs that consistently underperform your targets. When a job type averages 28% margin but your target is 40%, you know exactly where to raise prices or cut costs.

Frequently Asked Questions

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