Are out-of-state contracts actually more profitable?

Commercial contractor intelligence brief | October 2026

THE SHORT ANSWER • Sometimes. The premium is not guaranteed; the strongest advantage may be a repeat relationship with a national buyer that already controls commercial work.

The business model

An out-of-state general contractor, restoration company, facilities provider or specialty firm wins a job in a local market, then hires an in-state operator for installation, repairs, emergency response or reconstruction. The local company avoids much of the original customer-acquisition effort; the prime avoids maintaining permanent crews everywhere.

Where the opportunity concentrates

National buyer	Local work commonly outsourced	Repeat potential
General contractors	Tenant improvements, glazing, electrical, HVAC, finishes	Project / rollout
Restoration & large-loss firms	Mitigation, board-up, drying, reconstruction	Event-driven / preferred vendor
Multi-site facilities firms	Storefront repair, plumbing, HVAC, electrical	High / recurring
Specialty contractors	Local installation, service and overflow	Moderate to high

What available data can—and cannot—prove

✓ 2022 U.S. Economic Census: measures subcontracted construction activity by industry and geography. Useful for market sizing, but does not directly isolate out-of-state-to-in-state awards.

✓ Billd 2025 subcontractor survey: more than 500 executives across 32 trades; reported 54-day average wait after pay applications and 74% experiencing generally slow GC payments. Financing risk can offset a higher bid.

✓ ConnexFM 2025 membership figures: 200 multi-site facility-management companies and 549 suppliers/service companies; 74 multi-site members operated more than 500 locations. Indicates national purchasing concentration, not dollars subcontracted.

✓ GAO 2026 disaster contracting review: approximately $85 million (3%) of $2.9 billion in reviewed FEMA obligations was coded to local vendors; GAO cautioned that local-vendor coding was unreliable. This is not a measure of downstream local subcontracting.

The profit question: price versus economics

A national buyer may pay more for speed, licensing, geographic coverage and reliability—especially after a loss or store closure. But larger buyers can demand discounts, insurance, compliance, retainage and slow payment.

Illustrative job economics	Local customer	National prime
Contract value	$18,000	$25,000
Direct costs	$11,000	$14,000
Acquisition/admin + financing	$2,300	$2,500
Contribution / margin	$4,700 / 26.1%	$8,500 / 34.0%

Example only—not observed market averages. Excludes remaining overhead and taxes.

The repeat relationship is the real asset

One national account generating eight $15,000 jobs annually produces $120,000 in annual revenue. At a 25% contribution margin, that is $30,000 per year, or $90,000 over three years before attrition and discounting. These are illustrative assumptions. The value comes from recurring assignments, not necessarily a premium on each job.

Are profits stronger in more expensive areas?

Higher prices can produce more profit dollars, but they do not automatically produce a higher margin. Labor, local subcontractors, lodging, parking, freight and site access can absorb the premium. BEA regional price data measure general price levels; they do not establish contractor profitability. [1]

Illustrative comparison: a $50,000 job with $40,000 in total allocated costs earns $10,000, or 20%. A higher-cost-market job priced at $75,000 with $66,000 in costs earns $9,000, or 12%. The larger contract earns less. These are examples, not observed market averages.

When out-of-state work can improve returns

A contractor may improve returns when a repeat buyer pays for specialized capability, dependable scheduling or coverage across several locations. A qualified local subcontractor may benefit from repeat volume and lower selling costs. An out-of-state prime can reduce travel by using local crews, but must price local execution, supervision and warranty obligations realistically.

Regulations travel with the project location

Licensing: A home-state license is not a universal pass. California requires its own contractor license for covered work; reciprocity can waive a trade exam, rather than replace licensure. Arizona requires proper licensing before bidding and has no direct state reciprocity, though qualifying applicants can request exam waivers. [2, 3]

Wages and payroll: Covered federal and federally assisted construction requires local prevailing wages and fringe benefits. Certified payroll adds administrative work. Separately check applicable state and local public-works requirements. [4]

Other costs to verify: Entity registration, tax obligations, permits, workers' compensation coverage, bonding, local business licenses and payment-notice deadlines depend on the location, scope and contract. Include the applicable costs and timing in the bid.

Price the market. Protect the margin.

Compare expected profit dollars, margin percentage and cash required until payment. Include travel, compliance, financing, overhead and callbacks. Higher-cost markets are attractive only when the achievable price exceeds the full cost of delivery by enough to justify the risk.

[1] BEA - Regional Price Parities
[2] California CSLB - Out-of-state contractor licensing
[3] Arizona ROC - Applying for a license
[4] U.S. Department of Labor - Davis-Bacon requirements