

State's largest home manufacturing plant to shutter

Closure leaves region without facility behind many affordable homes

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Colorado is losing its top facility in the push to make home construction more efficient and, by extension, the costs of new homes more affordable.

Clayton Homes filed a notice with the Colorado Department of Labor on Tuesday that it will shut down its Heibar Installation manufacturing plant at 475 W. 53rd Place in unincorporated Adams County. By the end of January, 74 workers will lose their jobs at the 200,000-square-foot facility near the intersection of Interstates 70 and 25.

"The layoffs involving the manufacturing department at the Heibar Colorado location will be permanent, and there will be no 'bumping' or transfer rights.

Affected employees will be able to apply for open positions at other company locations," Mike Whitmore, the senior director of Human Resources at Clayton Homes, informed the state in a Worker Adjustment and Retraining Notification Act letter.

The impact goes far beyond the 74 jobs being lost. The plant was a key supplier to Oakwood Homes, which is building some of the most affordable homes along the northern Front Range.

Precision Building Systems (PBS) offered a model to emulate when Gov. Jared Polis made fostering innovation and introducing manufacturing efficiencies into the home construction process a top economic development priority.

Oakwood, the state's largest privately-owned homebuilder, launched PBS in 2003. Clayton Properties Group, a subsidiary of Berkshire Hathaway, acquired Oakwood in 2017, and placed PBS under its Heibar Installation subsidiary, which is based in Maryville, Tenn. The PBS plant kept its name until early 2024, when it was rebranded as Heibar Colorado.

Heibar declined to provide a reason for why it closed the Colorado plant. It also appears that shipping components from its remaining plants in Indiana, Utah and Tennessee long distances doesn't make economic sense.

Oakwood Homes, in a statement, emphasized that it remains committed to providing attainable homes and that its sales remain strong, rising more than 25% this year over last. While new home construction has slowed nationwide this year, low demand at Oakwood does not appear to be an issue.

"We remain focused on opening doors to home ownership for more families. Heibar's decision to close its Denver facility will have no impact on Oakwood Homes," the company said in a statement.

Oakwood Homes did not provide details on how it would replace the components or which manufacturing plant would do so. It does appear that Heibar is not as essential to Oakwood's plans as it once was.

Pat Hamill, Oakwood's founder, focused on building homes affordable for first-time buyers and PBS was key to that strategy. Building more home components indoors, from trusses to floors to complete walls and eventually larger modules, helped lower costs. A wall, for example, would include the framing, insulation, drywall, and electrical wiring and connections.

Components were sent to a homesite, where they could be assembled much faster than with traditional stick build methods. Manufacturing could take place while the lot was being prepared and then the home assembled. That process could take a month or two versus nine months or more for a traditional approach.

Oakwood Homes used the PBS plant most heavily for its On2 Homes, which remain available in Reunion. That line, which is smaller in size and uses larger modules, starts in the mid-\$300,000 range in a market where the median price of an existing single-family home sold last month was \$640,000.

Building larger sections of homes in a more controlled environment indoors allows for tighter quality control and less material waste. Workers could focus on specific tasks along an assembly line, and that line could run day and night, depending on demand.

The construction industry has long struggled with severe labor shortages, which are expected to only worsen as the workforce ages and immigration tightens. Attracting young adults to the field has been a challenge, and manufacturing is viewed as a more palatable option for them than working outdoors in bad weather and dealing with seasonal layoffs.

Manufacturing wages are below what a skilled tradesman could make, providing additional savings to builders. But for workers, manufacturing jobs can provide higher pay and more consistent schedules than with many service jobs.

The closure comes despite the Polis administration's push to make Colorado a national leader in integrating manufacturing into the construction process and fostering innovative technologies, something the state has spent \$50 million to encourage via grants and loans.

Heibar Colorado received a \$1 million grant under the state's Innovative Housing Incentive Program in return for a pledge to build 285 homes in the state.

"To date, the company has been awarded \$283,000 for 57 units that qualified for the IHIP incentive funding," said Alissa Johnson, communications director of the Colorado Office of Economic Development and International Trade.

It is not clear if Heibar will fulfill the terms of its grant. But its departure will not deter the state in its efforts, Johnson said.

"The off-site construction industry is growing, advancing our commitment to build more housing now that Coloradans can afford. Some companies will succeed and some will fail and technologies will evolve, but the sector continues to grow," she said. "We do not believe these layoffs are a reflection of Colorado's off-site construction industry as a whole, and our state is advancing the development of this important industry across the state."

Note
Nearly two-thirds of the cost of a new home nationally is tied to construction, with 14% reflecting the cost of land and 22% coming from government-imposed costs, according to the Construction Cost Survey from the National Association of Homebuilders.

In Colorado, construction costs are roughly split between labor and materials. So roughly a third of the cost of a home is linked to how it is put together, and if that cost can be lowered in a meaningful way, so can the overall price tag.

Since the 1970s, the productivity in manufacturing has more than doubled in the U.S., meaning workers today produce twice as much output per hour of work. Construction workers, by contrast, are 30% less efficient today than they were in 1970, according to the U.S. Bureau of Labor Statistics.

That runs counter to almost every other part of the U.S. economy, and that lack of efficiency helps explain, in part, why the industry can't meet the demand for new homes and struggles to provide a product people can afford. The nation's shortfall of 5 million homes, and Colorado's shortfall of 106,000 homes, while improving, has contributed to a surge in home prices, both new and existing, and locked more people into renting.

The median age of a first-time homebuyer in the U.S. is now 40, up from 28 in 1991, according to the National Association of Realtors. And the lack of affordable entry-level homes is a big reason why.