The rich architectural heritage of Bahrain has been subject to dilapidation and destruction as a result of rapid urbanisation and its complex physical, social and economic dimensions. The two major cities of Muharraq & Manama have been undergoing profound changes facing serious challenges and problems that are threatening whatever left of the fine organic traditional urban areas. Large scale developments, high-rise buildings, shopping centres and infrastructure expansions; coupled with political and economic changes; manifest these intricate processes of urban transformations. Remarkably enough, all these come at a time when globalization has dominated all aspects of life with its cliches, challenges and possible potentials. In such a complex situation, an important question could be asked of how urban identity could be sustained in fast-transforming cities?

The paper focuses on sustaining the urban identity of Manama and Muharraq that goes' beyond the mere nostalgic romanticism to realistic futurism by employing a combination of observation and participation qualitative research methods. It aims to provide a holistic approach integrating between the various scenarios of restoration, new functional rehabilitation, in-fill and new development. Hence it examines not only the physical aspects but expands the discussion to a wide range of issues and their interrelations including appropriate land-use systems and building regulations, financial resources and incentives, Education and heritage, urban and architectural practices, and stakeholders' involvement and institutional developments. The paper acknowledges that the approach should filter between short-term solutions and far-sighted strategies, between private interests and public good, between market efficiency and social welfare, between bottom up approaches and top down ones, between physical development and heritage protection and between large scale and small-scale developments. Based on this discussion, comprehensive policy measures are to be addressed focusing on the possibilities of turning the "wicked" challenges into "potential" opportunities.

**Key words:**
Architectural Heritage, Urban Identity, Urban Transformation, Batuain