

Housing Affordability in The Bahamas

Maria Alexandra Castellanos, Beatriz Garcia-Nunes, Shane Lowe, and
Vu Thanh Chau

SIP/2025/032

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on December 17, 2024. This paper is also published separately as IMF Country Report No 25/9.

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Housing Affordability in The Bahamas
Prepared by Maria Alexandra Castellanos, Beatriz Garcia-Nunes, Shane Lowe, and Vu Thanh Chau*

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ABSTRACT: Though the population in The Bahamas has expanded swiftly since 2010, the stock and affordability of new housing has not kept pace due to limited wage growth and financing constraints. This chapter takes stock of recent trends in the residential housing market in The Bahamas and discusses the potential drivers of reduced housing affordability. The authorities have taken various initiatives (guaranteed loan programs, construction of public rental units) to alleviate housing shortages. However, there is room for additional public spending in housing. Easing access to credit for residents would also support increased homeownership.

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SELECTED ISSUES PAPERS

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The Bahamas

Prepared by Maria Alexandra Castellanos, Beatriz Garcia-Nunes, Shane Lowe, and Vu Thanh Chau¹

¹ "The authors would like to thank Swarnali Ahmed Hannan, and The Bahamian authorities for their insightful comments and valuable discussions.



THE BAHAMAS

SELECTED ISSUES

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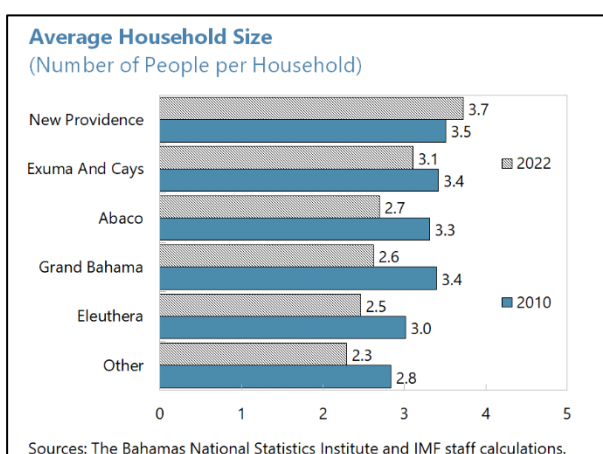
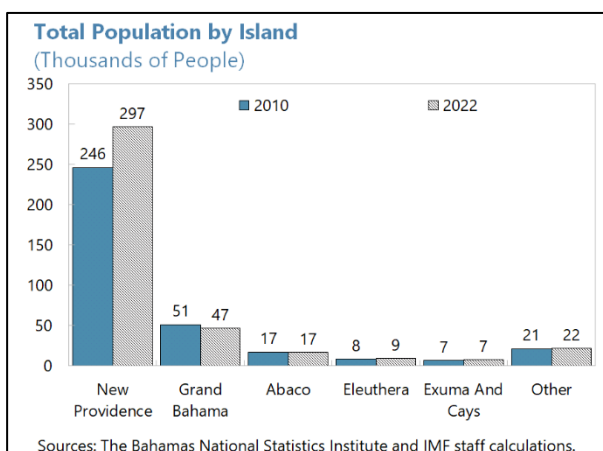
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HOUSING AFFORDABILITY IN THE BAHAMAS¹

Though the population in The Bahamas has expanded swiftly since 2010, the stock and affordability of new housing has not kept pace due to limited wage growth and financing constraints. This chapter takes stock of recent trends in the residential housing market in The Bahamas and discusses the potential drivers of reduced housing affordability. The authorities have taken various initiatives (guaranteed loan programs, construction of public rental units) to alleviate housing shortages. However, there is room for additional public spending in housing. Easing access to credit for residents would also support increased homeownership.

A. Background

1. The Bahamas' population has increased sharply since 2010, particularly in New Providence, where population density was already high.² Across the archipelago, the population expanded by 13 percent between 2010 and 2022, with growth particularly strong in New Providence (20 percent), Acklins (20 percent), Berry Islands (24 percent) and Bimini (19 percent). The rise in New Providence's population since 2010 reflects not only the effects of the natural increase and the net positive migration to The Bahamas but also migration of some Bahamians from Abaco and Grand Bahama after Hurricane Dorian in 2019. Despite the rise in total population, the average household size remained relatively unchanged since the last census. However, the average household in New Providence increased from 3.5 to 3.7 persons between 2010 and 2022, with the increases most prominent in the coastal districts of Fort Charlotte and Freetown and the already-densely populated neighborhoods of Englerston and Bain & Grants Town.

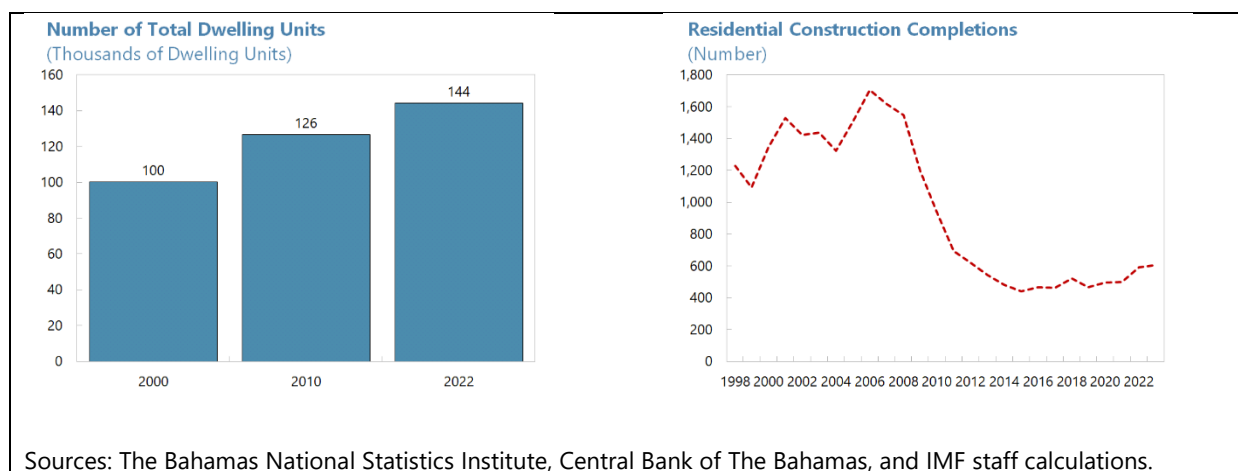


¹ Prepared by Beatriz Garcia-Nunes, Maria Alexandra Castellanos, Shane Lowe, and Vu Thanh Chau (all WHD).

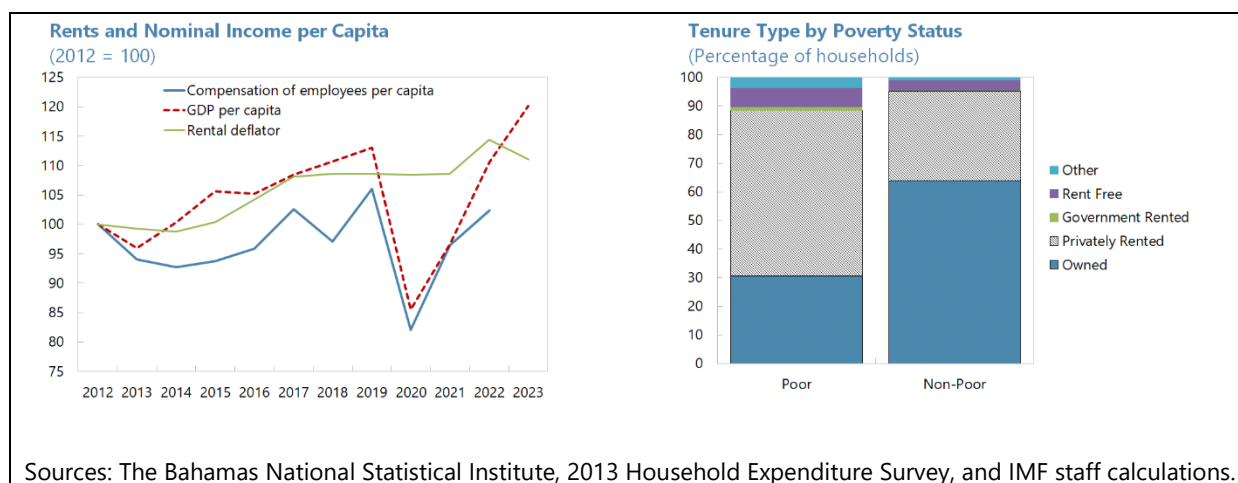
² [2022 Census of Population and Housing](#).

B. Challenges

2. The supply of new housing has trended downward since the global financial crisis. An assessment in 2000 on housing needs estimated that, to meet future housing demands, the housing stock would have to rise by 2,378 units annually between 2000 and 2011.³ The actual stock of dwelling units increased in line with these recommendations during the proposed timeframe. However, since then, the number of residential construction completions contracted sharply, reaching 607 completions in 2023, from a peak of 1,705 in 2006.



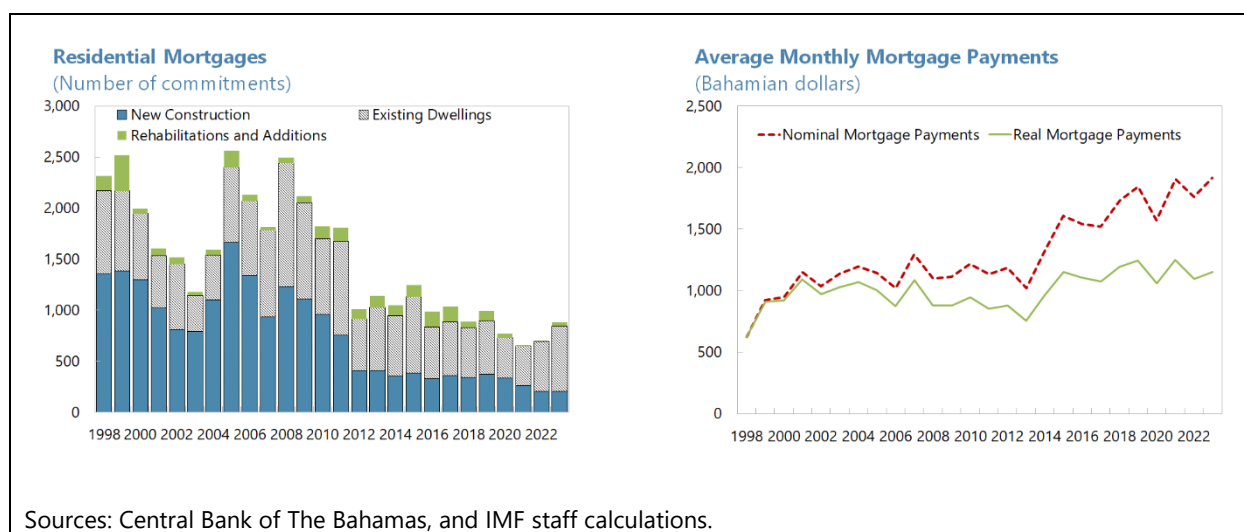
3. Limited growth in wages may have impacted housing affordability over the past decade. Between 2012 and 2022, the implied price of Real Estate, Owner Occupied and Actual Rents activities increased by 14 percent, compared to just 2 percent for employee compensation per capita. The effect is likely to have been the greatest among the most vulnerable, with 58 percent of the poor living in privately-rented housing that is subject to changes in annual rental rates, compared to 34 percent across the country.⁴



³ [The State of Social Housing in Six Caribbean Countries.](#)

⁴ The Bahamas 2013 Household Expenditure Survey.

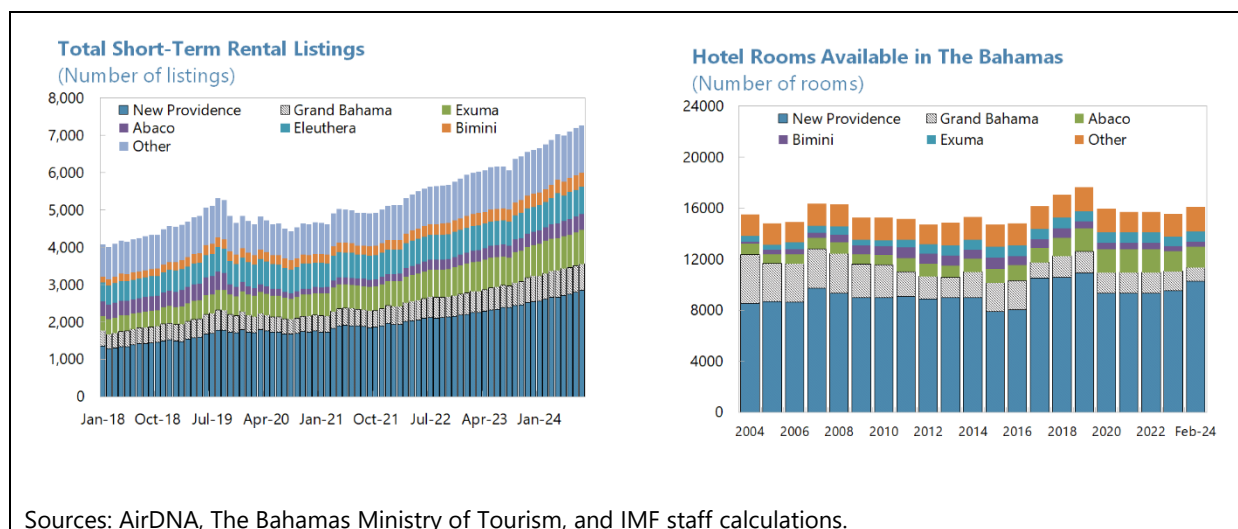
4. Financing constraints may also be an obstacle to home ownership. The number of new residential mortgage commitments for single dwellings and duplex and row dwellings have trended downward since 2008. Moreover, while employee compensation per capita has remained almost unchanged compared to 2012, average monthly payments on residential mortgages have increased more rapidly, despite the secular decline in average interest rates for residential mortgages over the same period. Mortgage applications recorded the lowest approval rate of all credit categories in H1 2024, standing at 54.3 percent.⁵ Most application denials were due largely to low credit scores, constraints on banks' lending outside of internal policy, underemployment, the applicant's prior history of delinquency on prior loans, higher debt service ratios, insufficient working history in the current job, the bank's inability to verify the applicant's income and inadequate funds for a down payment.



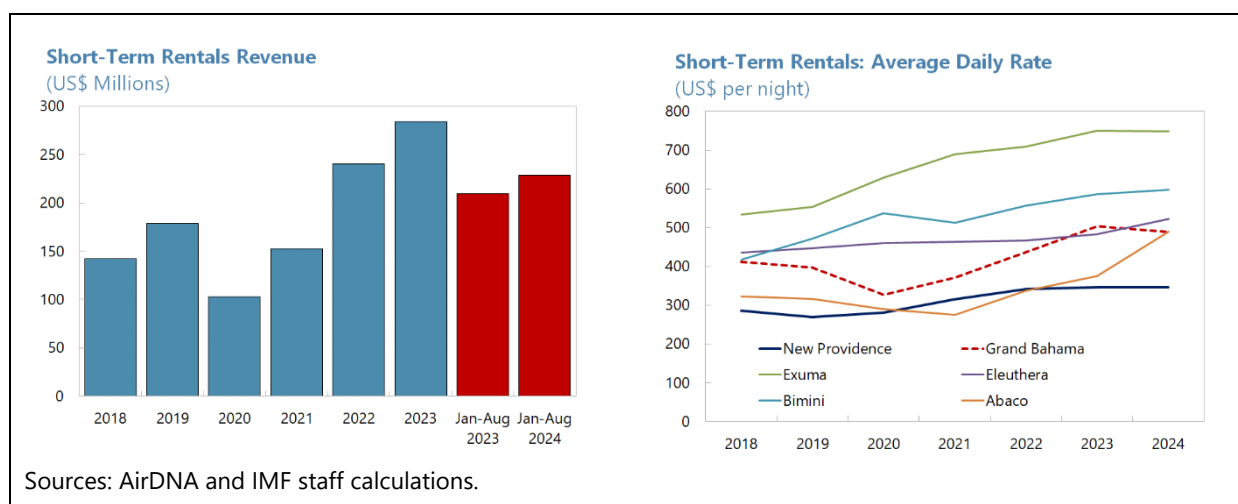
5. The Bahamas has witnessed impressive growth in the short-term rental market since 2018, despite slowing growth in the stock of residential housing. As of August 2024, there were 7,265 listings of short-term rentals across The Bahamas—up from 4,076 at January 2018—spread across the archipelago.⁶ Moreover, growth has been the strongest for properties classified as apartments, condos, or lofts, with the number of listings more than doubling over the same period. This growth has been particularly strong in The Bahamas' most populated islands, with impressive growth in the Exumas in particular. However, the stock of short-term rental properties accounted for less than 5 of the total stock of dwelling units in The Bahamas at the end of 2022.

⁵ Central Bank of The Bahamas Quarterly Bank Lending Conditions Survey June 2024. <https://www.centralbankbahamas.com/publications/surveys-and-other-research-publications/quarterly-bank-lending-conditions-survey-december-2023>

⁶ AirDNA.



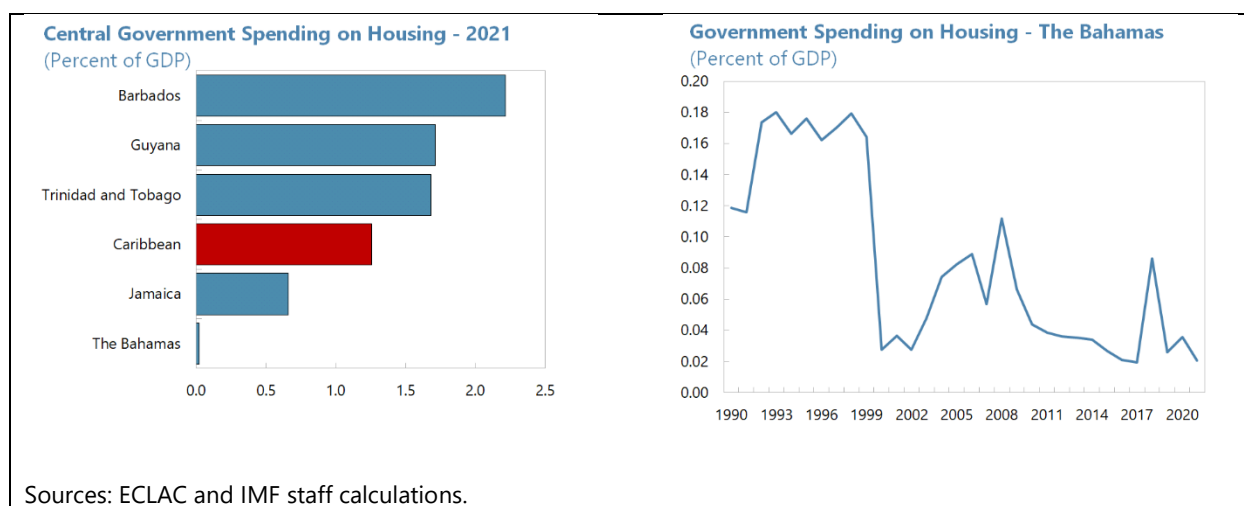
6. High rental rates and strong revenue growth have incentivized investment in the short-term rental market. The sharp increase in the supply of short-term tourism accommodation helped to offset the 9 percent decline in hotel room capacity between 2018 and 2023, supporting the sharp rebound in stay-over arrivals post-Hurricane Dorian and the pandemic. At the same time, homeowners have benefited from additional rental income, with the average daily rate on short-term rentals rising faster between 2018 and 2023 (30 percent) than the implied price of Real Estate, Owner Occupied and Actual Rents activities (2 percent) over the same period. Average short-term daily rates vary widely across islands, with particularly high prices in the Exumas.



C. Policy Options

7. The authorities have sought to increase the supply of residential housing and improve housing affordability, but there is room for additional support. The Department of Housing has primary responsibility for providing affordable housing to low- and middle-income families through its Guaranteed Loan Programme with financial institutions. The state-owned Bahamas Mortgage Corporation (BMC) has traditionally been the primary user of this facility for homes costing up to

\$250,000 but high delinquency rates have constrained the BMC's lending capacity.⁷ The government has also removed the duty on building materials to support rebuilding in the Family Islands after natural disasters and has constructed public rental units and senior citizen units for Bahamians across the country. However, the government's spending on housing falls short of that of its regional neighbors. In 2021, central government spending on housing and community amenities declined to a low of just 0.02 percent of GDP, compared to 1.3 percent for an average of Caribbean peers, and down from 0.11 percent of GDP in 2008.



8. Alleviating supply constraints and increasing public spending on affordable public housing may help to improve housing affordability in The Bahamas. Incentivizing private investment combined with additional public investment in affordable housing would help to address rising demand in New Providence due to increasing population density. It would also alleviate housing shortages in Grand Bahama and the Family Islands exacerbated by previous natural disasters. However, care should be taken to ensure that additional initiatives meant to encourage growth in short-term rentals do not inadvertently crowd out investments in residential housing. Finally, easing access to credit for residents would also support increased homeownership.

⁷ As of September 2024, 11 percent of outstanding residential mortgages for existing structures were held by the BMC.