Chinese housing prices have increased rapidly in the past 15 years. The high housing prices have been the hottest spot in Chinese society and the heaviest burden for those involved. The trend has caused the attention of the Chinese government. In order to suppress the trend, China has implemented a series of policies among which Housing Purchase Limit Policy (HPLP) is the most controversial and the most aggressive. This paper will put forward two hypotheses about how HPLP will influence Chinese housing prices and provide evidences of four case cities with different HPLP (Hangzhou, Shenzhen, Changsha, and Chongqing) to support the hypotheses.

**Hypothesis 1**: HPLP will immediately reduce the demand generated by speculation. See graph 1, the demand Q will decrease to Q' and price P will decrease to P'.

However, in the long run, the housing price will increase again. One of the one hand, the relatively low price will incentivize the rigid demand to buy houses so that the demand will increase again. On the other hand, the real estate companies will also reduce housing supply.

**Hypothesis 2**: More Aggressive Policy will more effectively affect housing price.

HPLP varies in different places. The four cases which we chosen are HPLP in four cities with different aggressive level.

**Evidence 1 for Hypothesis 1**: The slope of housing prices trend line after HPLP was implemented is much smaller than the slope before.

**Evidence 2 for Hypothesis 1**: When running a regression with the relative variables: Rate, Real Estate Rate, CPI, Population, GDP, Real Estate Index, putting HPLP as dummy, the outcome shows that HPLP is statistically significantly influence housing price.

**Conclusions**: The Housing Purchase Limit Policy in China effectively reduced the increasing rate of housing prices in the short term. The HPLP varies in different cities, and the more aggressive policy is more effective.

When HPLP is a public policy based on the strong administrative power of the Chinese government, it can only effectively negatively influence housing price in the short run. However, in the long run, HPLP cannot dismiss the rigid demand and the adjustment of real estate companies. In the certain situations, such as in 2011, HPLP is a good way to control housing prices. But to make Chinese real estate market well developed, other related policies and regulations are also needed.