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Due Diligence Tips When Buying Undeveloped Land

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Practices: Real Estate

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Performing due diligence tasks is essential both prior to signing and during any inspection period of a purchase and sale agreement (“PSA”). These essential tasks help a company determine the land’s developability, infrastructure suitability for the type of construction and use the company requires, and whether the land has any detrimental factors that would prohibit any current or future construction, redevelopment, expansion, or sale of the property.

There are a variety of aspects to consider prior to executing a PSA. These due diligence tasks consist of researching the property’s location and its closeness to any distributing facilities; assessing utility access and capacities for electric, natural gas, fiber optic, telephone, water, sanitary sewer, storm sewer and the fees associated with each utility if access is currently unavailable; and, beginning to verify applicable zoning regulations at both the municipality and county levels.

Within any inspection period defined in the PSA, due diligence tasks multiply and become more substantial in their context and reports. A company will want to verify title ownership, obtain an American Land Title Association (also known as “ALTA”) survey with topography of the property which identifies points of access, any easements, restrictions, or defects which could prevent the property from development. Additionally, it is just as important for a company to obtain an environmental assessment to identify any contaminants. If a property contains contaminants in groundwater or soil, remediation efforts can be costly for all parties to the PSA and may result in ongoing maintenance or future issues. A further inquiry into the applicable zoning regulations is a critical step to confirming that the land is buildable. Additionally, a wetlands study, flood zone verification, geotechnical investigation, report of natural resources, and report of historic/cultural research can help determine the suitability of the property for the company’s use.

Ultimately, a comprehensive due diligence checklist ensures that the property meets development goals and avoids costly surprises.

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